MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEAR

2017/2018

Acronyms and abbreviations

BSC Budget Steering Committee
CFO Chief Financial Officer
CPI Consumer Price Index
CRRF Capital Replacement Reserve Fund
DoRA Division of Revenue Act
EXCO Executive Committee
FBS Free basic services
GFS Government Financial Statistics
GRAP General Recognised Accounting Practice
IBT Inclining Block Tariff
IDP Integrated Development Plan
kℓ kilolitre
km kilometre
KPA Key Performance Area
KPI Key Performance Indicator
kWh kilowatt hour
ℓ litre
LED Local Economic Development
MEC Member of the Executive Committee
MFMA Municipal Financial Management Act (56 of 2003)
MIG Municipal Infrastructure Grant
MM Municipal Manager
MPRA Municipal Properties Rates Act
MSA Municipal Systems Act
mSCOA Municipal Standard Charts of Account
MTBPS Medium Term Budget Policy Statement
MTREF Medium-term Revenue and Expenditure Framework
NERSA National Electricity Regulator of South Africa
NDP National Development Plan, 2030
PBO Public Benefit Organisations
PMS Performance Management System
PPE Property Plant and Equipment
PPP Public Private Partnership
SALGA South African Local Government Association
SDBIP Service Delivery Budget Implementation Plan

1 Table of Contents

Part 1 – Annual Budget

1.1 Mayor's Report

ADDRESS BY THE MAYOR OF THE BELA-BELA LOCAL MUNICIPALITY, COUNCILLOR JEREMIA MFIKI NGOBENI ON THE OCCASION OF THE APPROVAL OF THE FINAL 2017/18 INTEGRATED DEVELOPMENT PLAN (IDP) AND FINAL BUDGET (2017/18 – 2019/20), COUNCIL CHAMBERS, MUNICIPAL BUILDINGS – BELA-BELA.

25th May 2017

Honourable Speaker of Council

Honourable Chief Whip of Council

Members of the Executive Committee

Chairpersons of our Oversight and Portfolio Committees

Leaders of Political Parties in Council

Fellow Councillors

Municipal Manager, Mr. MM Maluleka

Senior Managers and Municipal Officials

Distinguished Guests

Our Social Partners

Members of the Media

Fellow Citizens

Comrades

Ladies & Gentlemen!

I am greatly humbled to welcome you to one of the greatest Municipalities in our Province. Today we embark on the next step that will continue to position Bela-Bela as one of the leading Municipalities in Good Governance; a Municipality that mobilizes the strengths and qualities of its diverse population; but also a city that cares deeply for all its residents, through its commitment to the provision of world class services for all.

At the ANC National General Council in 2000, former President of our Movement Thabo Mbeki, in summarizing what a government committed to social progress must do, he said:

"We must ensure that today is better than yesterday and that tomorrow will be better than today."

Honourable Speaker, this is a responsibility and mandate which we are ceased with in all our undertakings as the Municipality.

A Municipality in which today is clearly better than yesterday; which every day finds new ways to work with its people to ensure tomorrow will be even better than today.

We are the shining Municipality on the high plains of this great District, on which the eyes of all who seek natural tranquility and related opportunity are fixed.

We are a Municipality where the young lead the call for transformation, demanding the opportunities to do business and/or work, to improve their livelihoods, and become the best they can ever be. A Municipality that knows that with just a little help, our youth are not the challenge some think them to be, but our greatest asset moving into the future.

Hononourable Speaker! In resonance with recent messages by Leaders of our Government and Society at large, we wish to condemn the recent brutal killing of Women in our Country, and accordingly urge all men in our Municipality to vigilantly ensure the safety of all women within our communities.

Compatriots! Over the last few weeks I have spoken to people across the Municipality, about the current challenges we are facing but also about implementing our vision for the future. When we as Councillors were elected after 3rd August 2016 Local Government Elections, we committed ourselves to transform this Municipality and to leave a sustainable and lasting legacy for future generations.

During the recent IDP/Budget Mayoral Roadshows consultations we again had the opportunity to listen to the concerns and aspirations of our residents. We have spent countless hours speaking to communities in all the nine (9) Wards constituting our Municipality. We have heard your voices and concerns that you've raised.

Fellow Compatritriots! We heard your concerns about the Socioeconomic ramifications of Electricity Capacity Charges, about the maintenance of infrastructure, about the affordability of rates, about your concerns regarding the transparency of processes that seem to exclude you to mention but few. But this does not have to continue.

We heard your concerns about the increasing cost of living, rising electricity prices, escalating costs of fuel. The bill for feeding our families increases everyday and we struggle to make ends meet. The cost of textbooks, stationery, school clothing is becoming more expensive. Working together with our Social Partners in Government and Business we surely can do something about it.

Residents want to live in a Municipality that is not only effective and efficient in the delivery of services, but also a Municipality that listens to its people, and works not just *for* you but also *with* you!

Honourable Speaker, His Excellency President JG Zuma recently pronounced before the South African Local Government Association, that:

"Going back to the basics means a recommitment to provide Municipal services in a professional and caring manner, and in our daily conduct, recognize each resident as a valuable client."

Our Municipality firmly supports the "back-to-basics" approach for Local Government adopted by Government at the national summit two (2) years ago. To this end we have excelled in our implementation of the Back to Basics imperatives

During the presentation of his budget, the Former Minister of Cooperative Governance, Pravin Gordhan had this to say about 'back-to-basics':

"We must make sure that robots work, that potholes are filled, water is delivered, refuse is collected, electricity is supplied and waste management takes place in the right kind of way."

Ladies and Gentlemen! We are accordingly pleased to report that since the commencement of our current Term of Council, we have pushed basic service delivery to higher standards:

1) In partnership with COGHSTA we have provided 300 RDP Houses to Masakhane and Rapotokwana.
2) Invested more than R50 Million on the following Multisectoral Infrastructural Projects:
    a) Completed Grandstands at SANFA Stadium;
    b) Completed Bela-Bela High;
    c) Completed Stormwater at Limpopo Street;
    d) Completed Paving of Streets at Extensions 2, 7 & parts of 8 respectively.
    e) Completed Bulk Sewer at Extension 9;
    f) Completed Upgrading of Streets at Spar Park;
    g) Completed paving of access roads and Fencing of Bela-Bela Cemetery;
    h) Completed the upgrading of CBD roads

3) Managed to spend 100% of the original allocation and 90% of the additional MIG Funding
4) Concluded the Election and launch of all the nine (9) Ward Committees.
5) Held a successful Career Expo in support of our Matriculants as part of our Skills Development drive.

Honourable Speaker! On a daily basis there are important changes happening in the Municipality. Evidently, we are amidst various emanating challenges making progress on all aspects of governance and service delivery. We are gradually closing the gap between Council and the Community.

a) We have improved Customer Relations by reducing average waiting time from 164 seconds to 24 seconds. The abandonment rate of calls has dropped from 27% to 6%.
b) We are addressing issues of road quality, filling in potholes, but also following a long- term approach to resurface roads in major areas.

We have listened carefully to residents of our Municipality about their developmental aspirations, and captured these as council-approved priorities in the 2017/18 Integrated Development Plan (IDP).These serves as a Development pact with all our populace and stakeholders within our Municipality.

Honourable Speaker! Culminating from our informative engagements with our Communities throughout the length and breath of our Municipality, we have ensured that their requests are duly addressed through taking the following decisions:

1) All the owing Accounts for the Indigents to be written off by the 1st of July 2017.
2) Regarding 50/50 Scheme- Residents with historical debt will qualify for 50% discount provided that they pay the other 50% immediately.
3) Pertaining to Electricity Capacity Charges-Residential Customers are no longer going to be charged Electricity Capacity Charges in the new Financial Year, instead **CONSUMPTION** based tariffs will be introduced.

4) Municipal Tariffs:

a) Property Rates will be increased by 6.79%
   With an exception of Agricultural Farms – remain 0.0066
   Water: increase by 6.79%
b) Electricity: Increased by 1.88% in line with NERSA guidelines
   Capacity charges are discontinued on residential customers
   Review will be done in the new financial year to re-introduce IBT

a) Sanitation: Increase by 6.79%
b) Waste removal: The Municipality has been running the service at a loss, the lowest tariff adjusted to R70 per month.
c) Other sundry tariffs increased by 6.79%

5) Operational Budget – Overall:

a) Total income: R395 Million
b) Total expenditure: R393 Million
c) Surplus: R1.6 Million to be used for future capital assets financing

6) Operational Budget – Repairs and Maintenance

a) The total Repairs and Maintenance is R30 million

Road infrastructure: R12 Million which will be used to repair:

- Gravelling of some streets affected by the rain
- Patching of portholes
- Refurbishing KFC road, etc

7) Electrical infrastructure: R6 million:

a) Major infrastructure maintenance
b) Replacement of transformers (3MVA, 315KVA, 500KVA)

8) Water infrastructure: R4 million for the preventive maintenance.

9) Capital Budget

Over the next three Financial Years, the Municipality will invest **R 283.998 Million** to various infrastructure projects across its jurisdictional area. The table below provides detailed projects and the budget allocated.

PROJECT DESCRIPTION	MIG registered	16/17 rollover	17/18 budget	18/19 budget	19/20 budget	Funding
Upgrade Sunfa stadium	16 781 050	3 437 517	5 117 662			MIG
Paving of bus route: Rapatokwane	10 567 950	6 786 483				MIG
Storm water Marikana Street (X6)	8 276 000	4 776 000				MIG
PMU costs			1 315 200	1 381 250	1 450 950	MIG
Paving of streets	22 750 000		5 764 138	10 543 750	6 442 112	MIG
Stormwater Spa Park	8 500 000		4 007 000	4 493 000		MIG
WWTW Pienaarsrivier	8 500 000		5 000 000	2 570 000		MIG
Widening Mile street bridge	5 100 000		5 100 000			MIG
WWTW Masakhane	22 830 241			8 637 000	12 906 240	MIG
Satellite Offices at Bela Bela Hall	15 000 000				1 520 810	MIG
Extention of existing grave yard					3 200 000	MIG
Refurbish old section of WTW and 1Ml contact tank	20 000 000				3 498 888	MIG
Water infrastrucutre projects			35 000 000	40 000 000	45 000 000	MWIG
Electricity sub-station			25 000 000	20 000 000	35 000 000	INEP
Furniture and Equipment			250 000	300 000	500 000	Own
TOTAL	**138 305 241**	**15 000 000**	**86 554 000**	**87 925 000**	**109 519 000**	

10) Honourable Speaker! Access to Heal facilities was vociferously raised during our recent IDP/Budget Mayoral Roadshows. To this end, in support of our Municipality, the Provincial Departments of Health and Public Works will be building Clinics at Pienaarsrivier and Bela-Bela respectively.

Compatriots! We remain committed to ensure Social Cohesion amongst Communities of our Municipality. To that effect, the following events shall be vigorously pursuit:

a) Hosting of the Mayoral Cup and Fun run on Annual basis.
b) Convening of Youth Summit during the Month of June 2017.
c) Convening of Women Dialogue during the Month of August 2017.
d) Reviving of Sonsken Festival

Honourable Speaker! Our Social Partners in the Business Community remains pivotal to the Developmental Agenda of this Municipality, and to this end we have started and will continue deepening our relations through amongst others the following:

a) We will be meeting with all the Big Business and Farmers within 14 days.
b) Will embark on launching of different forms Co-operatives in all Sectors within all the 9 Wards of our Municipality.
c) Facilitate Capacitation of all the SMMEs within our Municipality.

Ladies and Gentlemen! Deepening of Democracy amongst all residing within our Municipality remains paramount to our Council being effectively Accountable, Transparent and Responsive to the Communities therein. To this end we shall ensure key amongst others the following:

a) Rollout of the Mayoral Izimbizo.
b) Effectiveness of all the nine (9) Ward Committees.
c) Sound and Effective Stakeholder Engagement.
d) Effective and Efficient Political-Administrative Interface devoid of relational ills that lead to the demise of many Municipalities in the Country.

Honourable Speaker! Allow me to extent our deepest gratitude to the Municipal Manager, Mr Morris M Maluleka and his Administrative Team for the astude preparations thereby ensuring that without failure our Council is able to gather here this very day to consider and approve its IDP and Budget as required by the Legislative prescripts governing our Sector.

Fellow Councillors! We must sustain, for each new day, each new decade, the truth first spoken by Pixley Ka Seme in 1906: "*A brighter day is rising upon Africa"*.

We are the beacon of hope for all our people, they have bestowed upon us a Developmental Mandate to better their livelihoods. We dare not fail them no matter what differences we may have in the course of responding to this task. Let the envisaged glorious end pull us all together.

As a Municipality we know that to bring life to that level of commitment, we must bring the promised change to Bela-Bela, to South Africa - to the world we have inherited. We must innovate, we must transform, we must be resilient, we must be hospitable. We must always be worthy of being referred to as the custodians of the Municipality that aspire to be an Agricultural Hub and a Tourism Destination of Choice.

Tomorrow must definitely be better than today.
I Thank you.

1.2 Council Resolutions

Year 2016 was the last term of the previously sworn in council during 2012 election. A newly elected council has been sworn in during council seating held in August 2016. In terms of the Municipal Systems Act, new council is expected to draft through prescribed consultation with all stakeholder a 5 year Municipality Integrated Development Plan which will prioritise all government spending and be aligned to the National Development Planning programs.

As a result of the stipulated requirement in the budget regulation, the 2017/18 Medium Term Revenue and Expenditure will seek to address any service delivery in the community of Bela-Bela and unable the newly appointed council to further implement any proposed project emulating from previous councils together with the newly identified service delivery projects.

In terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003), "the mayor of the municipality must table the annual budget at a council meeting *at least 90 days before the start of the budget year*. This budget is usually referred to as the "draft budget". Paragraph 9 and Schedule A of the Municipal Budget and Reporting Regulations prescribe the format and contents of the budgets of municipalities and municipal entities.

The Mayor of Bela-Bela Local Municipality tabled the budget, in terms of section 16(2) of the MFMA, at the Council meeting held on the 25th of May 2017 in the Council Chamber. At the meeting the Council made the following resolutions:

1. The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

    1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
        1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 17;
        1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18;
        1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19; and
        1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20.

    1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:
        1.2.1. Budgeted Cash Flows as contained in Table 22;
        1.2.2. Asset management as contained in Table 24.

2. The Council of Bela-Bela Local Municipality approved the following 2017/18 revised budget related policies and By-Laws as set out in Annexure 1:

    2.1. Credit Control and Debt Collection Policy
    2.2. property Rates Policy
    2.3. Assets Management Policy
    2.4. Indigent Policy
    2.5. Borrowing framework policy
    2.6. Budget Implementation and Monitoring Policy
    2.7. Cash Management and Investment Policy
    2.8. Funding Reserves Policy

2.9. Prioritisation Model for Capital Assets Investment
2.10. Policy on Infrastructure Investment and Capital Projects
2.11. Policy on Long Term Financial Planning
2.12. Policy on Provision for doubtful debts and writing off of irrecoverable debts
2.13. Principles and Policy on Tariffs
2.14. Petty Cash Policy
2.15. Supply Chain Management Policy
2.16. Property Rates By-Law
2.17. Indigents support By-Law
2.18. Tariffs By-Law
2.19. Credit control and debt collection By-Laws.

All other budget related policies and By-Laws remain unchanged from the previous year.

3. The Council of Bela-Bela Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017 the rates and tariffs as set out in Annexure 2;

   3.1. the tariffs for property rates;
   3.2. the tariffs for electricity;
   3.3. the tariffs for the supply of water;
   3.4. the tariffs for sanitation services;
   3.5. the tariffs for solid waste services;
   3.6. the tariffs for all sundry services;

4. To give proper effect to the municipality's annual budget, the Council of Bela-Bela Local Municipality approves:

   4.1. That the municipality is not budgeting to raise long-term loans to fund the capital budget.

5. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

1.3 Executive Summary

National Treasury issues MFMA budget circulars annually to guide municipalities in compiling their budgets. The latest circular was issued on the 8th of March 2017 which is a follow up on budget circular issued during December 2016. This circular deal with the key focus areas for the 2017/2018 budget process and highlight critical areas which the municipality must take into consideration. One of the main consideration to be highlighted on the circular was to inform municipalities about the importance of implementation of mSCOA by 1 July 2017 which is compulsory to all Municipalities.

The circular further emphasis that Municipality explicitly manage the following key risks during the compilation of 2017/2018 MTREF:

1. In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004) (MPRA) and sections 24 and 42 of the MFMA, new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1st July). This means that the municipal council must approve the relevant tariffs before the commencement of 1 July; and, should this not happen, the municipality

will not be able to increase its taxes and tariffs during the year. Failure to obtain Council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution;

2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive must intervene. The provincial intervention may include dissolving the municipal council and appointing an administrator to run the affairs of the municipality;

3. GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality

4. An emphasis was made on the funds reprioritised as follows:

   - the expanded public works programme integrated grant to municipalities to fund the expanded mandate of the Commission for Conciliation, Mediation and Arbitration (as the commission will be providing its services to additional sectors);
   - the indirect integrated national electrification programme (Eskom) grant, mainly to fund the management of nuclear waste; and Municipalities were reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill.
   - the indirect regional bulk infrastructure grant of which small amounts will be utilised to augment funding for water catchment management agencies.

5. Circular further encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band; therefore, municipalities are now required to justify all increases more than the 6.4 per cent projected inflation target

m-SCOA Implementation

In terms of m-SCOA regulation of 2014, all municipalities must implement the standard Charts of Accounts by 1 July 2017. In order to comply with regulation, there are various processes that need to be undertaken by municipality to ensure full compliance on 1st July 2017 which include amongst other things implementation plan indicating the project milestones.

m-SCOA project team was established to oversee the project together with all other relevant committee. Service provider have been appointed to assist Municipality official in implementation of the m-SCOA projects. Relevant IT hardware has been acquired. All relevant m-SCOA circulars have been closely monitored by the established m-SCOA committee to ensure all compliance stipulated on the circulars are adhered.

Technically, for Bela-Bela Local Municipality to be regarded as m-SCOA compliant on 1 July 2017 it must be able to transact across all the m-SCOA segments and its core system must seamlessly integrate. Among the lessons learnt from the pilot municipalities, stems the

recommendation that a municipality's point of departure for achieving system integration is that it prioritizes the maximum integration potential of its core system so that it integrates with the Debtors main sub-system (including cash management and receipting), Payroll and the Assets Management sub-system modules. Furthermore, Municipality is required accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget facilities into the core financial system as these documents create a point of departure for the transactional environment come 1 July 2017.

The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014. This means that the compilation of the 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the mSCOA classification framework.

In summary, mSCOA compliance in respect of the tabled 2017/18 MTREF and IDP submission means that the data string uploaded to the LG Database portal must meet the following requirements:

- ✓ Correct use of all segments;
- ✓ Seamless integration of core system with sub-systems (municipality must ensure the integration of the Debtors, Payroll and Asset sub-systems); and
- ✓ Integrated budgeting facility directly linked to the IDP and SDBIP facilities on the system.

All criteria affecting mSCOA compliance were taken into consideration when drafting 2017/18 MTREF. During the policies review, m-SCOA requirement were also taken into consideration.

Bela-Bela Local Municipality will strive on each financial reporting year to recognise the application of sound financial management principles for the compilation of the municipality's financial plan as essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The process of developing the municipality's annual budget is mostly guided by the strategic thrust and operational priorities of Bela-Bela's Integrated Development Plan (IDP) as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the two outer years.

Auditor General of South Africa has conducted an audit for 2015/2016 financial year and resulted in municipality maintaining its un-qualified audit opinion since 2013/2014 financial year. The municipality will strive to continue to maintain and improve on the audit outcome. This is being achieved through the established AGSA action plan committee, which seats on a weekly basis to monitor the progress made on the action plan and chaired by the accounting officer.

Bela-Bela Local Municipality had also played a vital role on specific strategies and interventions required by local government in achieving economic stability and higher levels of growth as outlined in the Medium-Term Budget Policy Statement and include, among others:

- Intervention in expanding public sector investment in infrastructure through ensuring the budgets and MTREF's acknowledge that capital programmes need a balanced funding structure addressing not only backlogs in services, but also investment in new infrastructure as well as renewing current infrastructure which also sustain the Bela-Bela Local Municipality as an eco-tourism hub;

- Circular 86 depict that, national unemployment rate was 26.5 per cent in the fourth quarter of 2016. In aggregate mining and manufacturing employment declined by 80 306 jobs in 2016 while the services sector created 119 189 jobs during the same period. The economy continues to create opportunities for semi-skilled and skilled workers, and to shed unskilled jobs, reinforcing poverty and inequality and widening the wage gap.

  These economic challenges will continue to pressurise municipal revenue generation and collection levels hence a conservative approach is advised by National Treasury when projecting revenue. Municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

- The Municipality continue to create a joint planning with its community and business sectors. This means that all economic forces in the local situation have to be brought on board to identify resources, understand needs and work out plans to find the best ways of making the local economy fully functional, investor friendly and competitively productive; and

- Bela-Bela Local Municipality need to act as a catalyst for local economic development by appropriately structuring capital programmes to address backlog eradication, asset renewal and development of new infrastructure where there is a need; this will require carefully formulating the funding mix to include grants and own funding (internally generated funding).

Before compilation of the 2017/2018 to 2019/2020 planning and budget process, a review to the municipality's service delivery prioritises were done. Strategic planning sessions where planning of the 2017/18 budget was discussed were held during February 2017. The compilation of the 2017/2018 budget was further guided by prescribed budget legislative, policy frameworks and budget circulars.

The following budget principles and assumptions directly informed the compilation of the 2017/2018 MTREF;

- National Treasury's MFMA Circular No. 48, 51, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78, 79, 80 and 86 were used to guide the compilation of the 2017/2018 MTERF.
- Headline inflation predictions;
- National outcomes and priorities as contained in the NDP, MTBPS, the President's State of the Nation Address and the 2017 national budget;
- NERSA guidelines;
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2016/2017 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baseline for the 2017/2018 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. In this vein, the municipality appointed specialists to remodel the water, electricity and sanitation tariffs to be cost reflective;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An assessment of the relative human resources capacity to implement the Budget;

- The need to enhance the municipality's revenue base;
- All conditional grants should always be cash backed;
- Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations;
- Operational cost will be maintained at current levels or reduced as cost containment measures will continue to be implemented; and
- Expenditure will be strictly monitored and be limited to the "absolutely necessary" items. Expenditure on the "nice to have" will be stopped forthwith.

During the compilation of 2017/2018 MTREF Municipality determined few challenges which will have an impact on the revenue and expenditure projections as follows:

- The on-going difficulties in the national and local economy;
- The modestly increasing debt as a result of non-payment;
- Aging and insufficiently funded maintenance for water, roads and electricity infrastructure;
- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the Municipality's cash position into account;
- The increased cost of bulk water and electricity (due to tariff increases from Magalies Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Insufficient Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources; and

During 2016 financial year, Municipality engaged specialists on tariff remodelling to have cost reflective tariffs on the following:

- ✓ Water
- ✓ Sanitation
- ✓ Electricity

These tariffs were implemented in the 2016/17 budget year (with the exception of electricity) taking into consideration the remodelling excises done.

Cost reflective determination continue to be done by Municipality with one major remodelling being undertaken during 2017 strategic planning relating to electricity tariff.

Special care was excised to ensure that the electricity tariff re-modelling, as alluded to above, is properly implemented without creating huge burden to the consumers.

Tariffs on sundry services, service charges and property rates have increased by 6.79% in the 2017/2018 financial year in line with the relevant guidance provided. Circular 86 provide that any increase in tariff rates above 6.4% will require justification to be narrated on each increase above such rates. The justification on each tariff are details on the tariff summary sections on this budget book.

On the expenditure side, the percentage increases were as follows:

- Councillors allowances was increased in accordance to SALGA prescribed rates of 4%
- Bulk purchases reduced by 5% from the adjusted budget;
- Employee costs is increased by 7%;
- Other expenditure category was reduced by 5% from the adjusted budget.

Municipality intend to hold public participation sessions with the communities after the budget have been tabled to council at the end of March 2017 in terms of the relevant legislation. The

sessions are due be conducted during the month of April 2017 in line with the prescribed budget regulations dealing with consultation requirement. The issues raised in the previous budget year of 2016/17 were mostly around complaints about accounts, implementation of credit control policy, housing, security, use of drugs and lack of recreational facilities for the youth. These issues will continue to be considered when drafting 2017/18 budget and allow the issues to be taken through the governance structures for further processing.

The budget benchmarking exercise with relevant treasury will also form part of the 2017/18 budget compilation process to allow them to perform assessment for credibility, relevance and sustainability. The inputs from the session will incorporated in this budget. In terms of compliance assessment, this budget will be considered if it is compliant by the Provincial Treasury. Where necessary few budget tables (A Schedule) have been adjusted to obtain full compliance.

Council has in the past resolved to build up a Capital Reserve Fund over the medium-term in terms of the long-term financial plan/policy. This means that over the MTREF outer years Council expects to have built up enough cash reserve in order to fund capital expenditure. During 2017/18 budget year, little reserve will be kept which will assist Municipality to fund any capital projects. Municipality projected to spent at least R250 000.00 for furniture and equipment which will be funded through cash back-reserve. Despite the cash back-reserve being lower, Municipality have recently completed project which relate to rehabilitation of CBD road during the 2016/17 financial period. The project was funded through cash back-reserve.

With regards to grant funding, MIG is allocated around R26 million, INEP R25.0 million and with water infrastructure (WSIG) having received higher allocation of R35.0 million in the 2017/18 budget year.

The credit and debt collection drive that Council embarked on in the past financial year resulted in the payment level improving but modestly. In this regard, the administration is continuing to implement the following;

- Efficient revenue management, which aims to ensure a minimum of 95% annual collection rate for property rates and other key service charges.
- Consistent and sustainable implementation of credit control action to all households and other consumers that can afford payment of services, including reminder letters, telephone, sms and other means of reminding consumers of the obligation with regard to their municipal accounts;
- Compilation of indigent register;
- Resolution of the current non-payment by the farmers;
- Accurate and predictable monthly billing of municipal services, which requires that accounts are send regularly and on time can enable consumers to plan or arrange for payment of services;
- Conduct electricity and water meter audit in order to address the losses; and
- A continuance campaign that is led by the respective ward Councillor to promote payment of services within each ward. This campaign should include all stakeholders and the ward committees.

1.3.1. Budget Overview for the 2017/18 MTREF

This section provides an overview of Bela-Bela Local Municipality's 2017/18 to 2019/20 MTREF. It focuses on the billing and revenue environment of the Municipality; the expenditure framework includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of the municipality. As

mentioned in the preceding paragraph, this budget continues to be assessed by both National and Provincial Treasuries during consultation and thereafter for:

- Credibility – revenue and expenditure estimates are realistic;
- Relevance – to the legislation (compliance), IDP and national government priorities; and
- Sustainability – the revenue, expenditure and cash flow estimates are achievable over the short to medium term.

1.3.1.1. Budget related By-Laws

Constitution of the republic gives Local Councils powers to pass laws in a form of By-Laws. By-Laws are local laws that are only applicable in the Jurisdiction of the Local Municipality.

Tariffs By-Law
The tariff By-Law give the Municipality powers to levy tariffs as outlined on the Municipal Systems Act. Tariffs that are levied by the Municipality includes the following services:

- Electricity services
- Water services
- Sanitation services
- Waste removal
- Cemetery services
- Other sundry tariffs as listed on the tariff book.

The major changes in the 2017/18 financial year is on the levying of domestic electricity, capacity charges have been discontinued and only energy charge will be levied.

Property Rates By-Law
Property By-Law is adopted in terms of Local Government: Municipal Property Rates Act, 2004 in order to give effect to the implementation of its property rates policy; the by-laws may differentiate between the different categories of properties and different categories of owners of properties liable for the payment of rates.

Indigents By-Law
The main objective of the Indigent By-Law is to ensure that the poor households within the Municipal jurisdiction get access to basic services. The by law also paves a way for the council to draft the Indigent policy which outlines the qualification criteria's and the quantity of free services that the approved consumers will receive on a monthly basis.

Credit control and debt collection By-Law
The credit control and debt collection by-law give the Municipal Council to draft a Credit Control and Debt collection policy which guides the municipality on the frequency of billing for the services rendered, closing dates of accounts payments. The By-Laws also gives the Municipality powers to disconnect services in the event of misuse or non-payment.

1.3.1.2. Budget related policies

Council has a role to draft policies that are used on the running of the Municipality. Policies are used for the smooth running of administration. The Municipal budget related policies are as follows:

- Credit Control and Debt Collection Policy
- Property Rates Policy
- Assets Management Policy
- Indigent Policy
- Borrowing framework policy
- Budget Implementation and Monitoring Policy
- Cash Management and Investment Policy
- Funding Reserves Policy
- Prioritisation Model for Capital Assets Investment
- Policy on Infrastructure Investment and Capital Projects
- Policy on Long Term Financial Planning
- Policy on Provision for doubtful debts and writing off of irrecoverable debts
- Principles and Policy on Tariffs
- Petty Cash Policy
- Supply Chain Management Policy
- Tariff policy

There were significant changes on the following policies:

Indigent policy

- The qualification threshold has been increased to R3 200
- Rental income from back yard dwellers and micro business activities will be included in the R3 200 threshold.
- An electricity meter with a capacity of 30 AMP or less.

Policy on Provision for doubtful debts and writing off irrecoverable debts

- All registered and approved indigents' outstanding accounts will be written off on 01 July 2017.
- All debtors whose accounts are 60 days or older will be allowed to get 50% discount provided that they pay the other 50% balance immediately.

Supply Chain Management Policy

The utilisation of Model SCM Policy for Infrastructure Procurement and Delivery Management.

1.3.1.3. Operating Revenue Framework

Despite financial challenges experienced by Bela-Bela Local Municipality, the council will continue improving the quality of services provided to its citizens and generate the required revenue levels without creating heavy burden to the community. In these tough economic times, strong revenue management is fundamental to the financial sustainability of the municipality. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices and trade-off have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The Municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;

- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure at least 95 per cent annual collection rate for property rates and other key service charges;
- Continuous engagements with key stakeholders, particularly farmers and business, to collect outstanding debt and improve current collection levels;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2017/2018 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	53 069	54 229	46 337	94 648	79 648	79 648	41 818	80 199	84 829	91 775
Service charges - electricity revenue	2	84 138	84 980	103 327	106 469	106 469	106 469	68 550	124 567	131 667	139 040
Service charges - water revenue	2	18 780	17 523	22 625	35 584	35 584	35 584	15 982	26 979	28 811	30 768
Service charges - sanitation revenue	2	6 816	6 366	9 465	11 127	11 127	11 127	10 176	16 143	17 239	18 409
Service charges - refuse revenue	2	6 030	5 469	6 172	11 265	11 265	11 265	4 207	9 969	10 510	11 087
Service charges - other		1 407	1 000	447	8 200	8 200	8 200	166	1 123	1 188	1 255
Rental of facilities and equipment		998	1 114	1 107	1 550	1 550	1 550	696	1 813	1 984	2 172
Interest earned - external investments		782	2 268	940	300	1 300	1 300	1 428	1 510	3 011	1 265
Interest earned - outstanding debtors		3 891	6 049	5 295	3 500	7 000	7 000	5 075	9 850	9 358	8 890
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		29 904	4 451	3 029	13 000	13 000	13 000	6 945	25 000	25 000	25 000
Licences and permits		9 123	2 742	3 201	15 000	15 000	15 000	7 333	16 500	17 441	18 417
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		63 582	59 137	67 205	71 118	71 118	71 118	51 308	77 639	84 692	91 213
Other revenue	2	5 129	5 915	8 059	6 223	6 223	6 223	1 009	4 059	4 490	4 831
Gains on disposal of PPE		–	–	–	–	50	50	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		**283 648**	**251 243**	**277 207**	**377 984**	**367 534**	**367 534**	**214 693**	**395 350**	**420 218**	**444 121**

Bela-Bela Local Municipal budget is financed through realistically anticipated revenue streams.

Bela-Bela Local Municipality anticipate collecting operating revenue (total operating revenue less revenue forgone) during the 2017/2018 financial year of an estimated R395 million or R 28 million (7%) more than the 2016/17 adjustments budget revenue of R367 million. This increment might seem to be above the CPI rate, however details increases on each revenue sources were increased within the CPI rate and where the increase was above CPI rates, reason was provided as required by Circular 86

Operating grants which are guided by Division of Revenue Act (DoRa) was increased from R71.1 Million to R77.6 million which represent 9% increased. Grant to fund capital spending increased from R R80.5 million to R86.3 Million in the 2017/2018 financial year.

Overall services charges revenue increased by R6 million or 3% from the 2016/2017 adjusted budget. The increase was further driven by the increase in certain revenue stream such as water, electricity and sanitation which had been restructured to ensure they are cost reflective.

Details analysis of revenue sources

Property Rates

During 2016/2017 financial year, Municipality implemented new general valuation roll (2016-2021) which had significant increase in property market values.

The total property market values for 2011-2016 general valuation roll was seating at R6,4 billion and increased to R9,2 billion in such financial year which resulted in an additional property market values of R2,7 billion (42% increase).

The anticipated revenue during 2016/17 financial year was projected at R95.6 million and through adjustment budget was decreased to R79.6 million.

Subsequent to implementation of the valuation roll, Municipality received approximately 118 objections out of the registered properties of 12078. The objections received led to Municipality having to now anticipate receiving revenue of R80 million during 2017/18 which represent a slight increase by 1% from adjustment budget of R79.6 million (2016/17).

The following stipulations in the reviewed Property Rates Policy are highlighted:

Municipal properties

Municipal properties are exempted from paying property rates.

Residential properties

All residential properties with a market value of less than the amount as annually determined by the Municipality are exempted from paying property rates. **For the 2017/2018 financial year the maximum amount is determined as R50 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1)(h) of the Act are included in the amount as referred to above as annually determined by the Municipality. The remaining R35 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's indigent policy.

Public Service Infrastructure

Public Services Infrastructure is exempted from paying rates as it provides essential services to the community.

Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

The abovementioned exemptions will automatically apply and no application is thus required by the owners of such property. Property rates tariffs are depicted in table 4 below:

Cash management and investment policy
Money deposited into the Municipality's bank account by unknown persons for unknown reasons without traceable reference that cannot be allocated for a period of 24 month will be classified as Municipality's other revenue after public advertisement for 14 days as prescribed in the Municipal policy.

Table 4: Property rates tariffs

Rating Category	**2016/2017**	**2017/2018**
	R/c	R/c
ACCOMMODATION ESTABLISHMENT	0.014	0.0150
BUSINESS & COMMERCIAL	0.0133	0.0142
FARMS AGRICULTURAL (Bona Fida)	0.0026	0.0028
FARMS AGRICULTURAL	0.0066	0.0066
FARMS BUSINESS & COMMERCIAL	0.0133	0.0142
FARMS OTHER	0.0140	0.0150
FARMS RESIDENTIAL	0.0106	0.0113
FARMS VACANT LAND	0.014	0.0150
INDUSTRIAL	0.0133	0.0142
MUNICIPAL PROPERTY	0.0133	0.0142
PRIVATE OPEN SPACE	0.0106	0.0113
PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	0.0026	0.0028
PSI	0.0026	0.0028
RESIDENTIAL	0.0106	0.0113
SMALLHOLDING AGRICULTURAL	0.0026	0.0028
SMALLHOLDING BUSINESS & COMMERCIAL	0.0133	0.0142
SMALLHOLDING OTHER	0.0140	0.0150
SMALLHOLDING RESIDENTIAL	0.0106	0.0113
SMALLHOLDING VACANT LAND	0.0140	0.0150

Rating Category	2016/2017	2017/2018
STATE-OWNED PROPERTY	0.0133	0.0142
VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND	0.0133	0.0150
VACANT RESIDENTIAL LAND	0.0133	0.0150

Service charge: Electricity

Cost reflective determination continued to be done by Municipality with one major remodelling being undertaken during 2016 strategic planning relating to electricity tariff.

Special care was excised to ensure that the electricity tariff re-modelling, as alluded to above, is properly implemented without creating huge burden to the consumers

During 2016/17 budget year, electricity tariff was budgeted using single tariffs for each category of users. The fixed cost (basic charge) component was introduced to cover the fixed cost of the electricity infrastructure during such year. The demand and energy charges were also introduced for all users using electricity meters' capacity exceeding 20 Amps. This was an attempt to match the Eskom tariff structure and ensure that electricity is used in order to conserve it.

The community objected to the fixed based electricity tariffs which led to the community unrest which occurred in the first and second week of February 2017. In 2017/18 budget year, Municipality had to re-look at the electricity tariff by exercising different model which were presented to the council and deliberated during 2017 strategic planning. The new model removes the fixed charges and shifts them to be absorbed on the energy charge on the domestic customers.

The deliberation between all stakeholders resulted in Municipality having to eliminate basic and capacity charges on domestic tariffs and increased the energy on all blocks. Further increased Commercial, agricultural and industrial energy and fixed with roughly 1.88% in line with the NERSA guidelines.

The total cost of distributing electricity in the 2017/18 financial year will be R130 million, the Municipality will only raise revenue to the value of R124 million. It is clear that the Municipality will be selling electricity at a loss in the 2017/18 financial year. The R6 million shortfall will be financed by surplus from other services that are cost reflective. Inclining block tariff model will be reintroduced after investigation of proper implementation in 2018/19

NERSA as the energy regular is by law required to provide to all Municipalities the proposed rate which Municipality should consider when increasing the electricity tariff. Municipality will strive to ensure all necessary energy compliance is adhered. Municipality have submitted to NERSA the proposed electricity tariff rate increase and awaiting approval.

In terms of Circular 86 issued during March 2017, it further highlighted section 42 of the MFMA which requires that bulk price increases charged to municipalities by an organ of state must be tabled by 15 March if they are to be effected as from 1 July of the same year, unless the Minister of Finance grants an extension. The Minister of Finance, at the request of the Minister

of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom's 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom's bulk tariff to be tabled on that date. In the meantime, municipalities are advised to use the NERSA's guided 0.31 per cent bulk tariff increase when compiling their budgets. This means that any changes to the final bulk tariff increase for 2017/18 to be tabled by Eskom on the 5 April 2017 will have to be factored in at that time.

As result, Municipality has proposed the remodelled temporary electricity tariff as follows:

Tariffs 2016/17 Approved				**Proposed Tariffs 2017/18**			
	Basic charge	Capacity charge	Energy charge		Basic charge	Capacity charge	Energy charge
	Rand/ month	R/Amp/m	c/kWh		Rand/ month	R/Amp/m	c/kWh
Domestic Tariffs				Domestic Tariffs			
Domestic Prepaid 20 Amps	0	0	137.29	Domestic Prepaid 30 Amps(Indigents)	0	0	139.87
Domestic Prepaid > 20 Amps	35	7.44	102.18	Domestic Prepaid	0	0	139.87
Domestic Conventional	35	7.44	102.18	Domestic Conventional	0	0	139.87
	Basic charge	Capacity charge	Energy charge		Basic charge	Capacity charge	Energy charge
General Tariffs.	Rand/ month	R/Amp/m	c/kWh	General Tariffs: Government, Business	Rand/ month	R/Amp/m	c/kWh
General Tariff Prepaid 20 Amp			176.33	General Tariff Prepaid 30 Amp			179.64
General Tariff Prepaid > 20 Amp 1 phase	50	13.71	118.76	General Tariff Prepaid > 20 Amp 1 phase	50.94	13.97	179.64
General Tariff Conventional				General Tariff Conventional Business and Government			
Single Phase:	50	13.71	118.76	Single Phase:	50.94	13.97	118.76
Three Phase:	75	13.71	118.76	Three Phase:	76.41	13.97	118.76
	Basic charge	Demand Charge	Energy charge		Basic charge	Demand Charge	Energy charge
Industrial Tariffs	Rand/ month	R/kVA/m	c/kWh	Industrial Tariffs	Rand/ month	R/kVA/m	c/kWh
Low Voltage	1 158.96	155.1	105.92	Low Voltage	1 180.75	158.02	107.91
Medium Voltage	2 707.95	141	101	Medium Voltage	2 758.86	143.65	102.77
	0	0	-		0	0	-
	Basic charge	Capacity charge	Energy charge		Basic charge	Capacity charge	Energy charge
Agricultural Tariffs	Rand/ month	R/Amp/m	c/kWh	Agricultural Tariffs (prepaid and Conventional)	Rand/ month	R/Amp/m	c/kWh
Low Voltage	150	13.71346318	118.759212	Low Voltage	152.82	13.97	120.99

Water

Water tariffs for 2017/2018 will increase in line with Magalies Water tariffs. The proposed increase for 2017/18 is 6.79% as per Municipality tariff book.

Our country is facing a similar challenge with regard to water supply as it did with electricity, since demand growth outstrips supply. As a result, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost of associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Therefore, the resulted increase above 6.4% or CPIC is as result of maintenance of infrastructure and cost-reflective tariffs which will ensure that the supply challenges are managed in future to ensure sustainability. Our water supplier, Magalies continues to increase its bulk tariffs on each financial period with 12% increase for 2017/2018 financial period. The tariff increase below the water supplier rate is as a result of lesser reliance on Magalies water supply, more boreholes where opened in the 2016/17 financial year.

Table 6: Water tariffs (fixed costs)

Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other	Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other
Rate per meter	Rate per meter	Rate per meter	Rate per meter
58.50	87.75	62.47	93.71

The variable cost components are as follows:

Table 7: Water tariffs (variable costs)

Range	Residential, Churches, School, PBO,	Commercial, Government, hotels, Resorts and Other	Residential, Churches, School, PBO,	Commercial, Government, hotels, Resorts and Other

	Hospitals - State		Hospitals - State	
	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)
0 kl - 30 kl	R 10.68	R 16.03	R 11.41	R 17.12
30 kl - 50 kl	R 12.82	R 19.23	R 13.69	R 20.54
50 kl - 80 kl	R 15.38	R 23.08	R 16.42	R 24.65
81kl – 100kl	R 16.92	R 25.38	R 18.07	R 27.10
101kl – 130kl	R 16.92	R 25.38	R 18.07	R 27.10
131kl – 210kl	R 16.92	R 25.38	R 18.07	R 27.10
211kl – more	R 16.92	R 25.38	R 18.07	R 27.10

Sewerage (Sanitation)

The proposed increase in sanitation tariff for 2017/18 MTREF is 6.79%

Table 8: Sanitation tariffs

Description	Tariff9Rand) 2016/2017	Tariff (Rand) 2017/2018
a) Residential/Flats/ Security Villages	176	188
b) Commercial/Government/Resorts/Hotels and Other	353	377
c) Churches/Schools/PBO	176	188
d) Hospitals – State	176	188
e) Hospitals – Private	353	377

In the past financial year, this tariff had undergone a restructuring process in order to break-even. This tariff was part of the tariffs being reviewed by engaging the work of an expert to ensure the tariff is cost reflective. The cost to produce sanitation was used to determine the cost reflective tariff.

Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service. As the table indicates, only the fixed cost component of sewer was implemented and the volumetric component was withdrawn in the past financial year.

Refuse (Solid Waste)

The proposed tariff restructuring on refuse for 2017/2018 financial year is depicted in the table below.

Table 9: Refuse tariffs

Description	Tariff (Rand) 2016/2017	Tariff (Rand) 2017/2018
a) Residential		
Smaller than 800m²	49.56	70
Larger than 800m²	117.47	165
b) Commercial	295.00	330
c) Security Villages (per container)	3 024.00	3 229
d) Churches	117.00	165
e) Schools – State	295.00	330
f) Hospitals – State	295.00	330
g) Hospitals – Private	2 496.00	2 666

The Municipality has been providing the refuse removal service at loss for the past financial years. The 2016/17 tariffs were only covering 25% of the total cost to provide the service. The refuse tariffs will be increased with a higher rate in the next three financial years in order to be cost reflective.

Sundry Services

Tariffs for sundry services have been increased with a rate that is in line with National Treasury guideline which is set at 6.79%.

Rental of facilities

Tariff for rental of facilities were increased by 6.79% for 2017/18 financial year. A non-refundable deposit of R854.00 shall be paid for usage of community halls and for concerts and other special events hosted at soccer fields. The Municipality will be opening the newly built multipurpose hall in the 2017/418 financial year.

Conclusion remarks on tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.4% upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Magalies Water bulk tariffs are above the mentioned inflation target. These tariff increases are determined by external agencies, the impact they have is largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement, etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows

Grants

Bela-Bela Local Municipality had in the past financial period utilised all conditional grant accordingly and this was the case for the 2016/2017 financial period. Bela-Bela Local Municipality further anticipate implementing proposed 2017/18 projects within the time frame as stipulated in the grant conditions.

The following table provides a breakdown of the various capital and operating grants and subsidies allocated to the municipality over the medium term:

Table 2 Transfers and Grant Receipts (2016/2017)

Dora Allocations (R'000)	**2017/18**	**2018/19**	**2019/20**
Capital			
MIG	26 304	27 625	29 019
MWIG	35 000	40 000	45 000
INEP	25 000	20 000	35 000
Total	**86 304**	**87 625**	**109 019**
Operating	**2016/17**	**2017/18**	**2018/19**
Equitable share	74 939	81 992	88 513
FMG	1 700	1 700	1 700
EPWP	1 000	0	0
Total	**77 639**	**83 692**	**90 213**

Operating grant dependence

Grant dependence ratio is sitting at 19% of total revenue of R395 million. The ratio measures the extent to which the municipality's total operating expenditure is funded through internally generated funds or borrowings. The rate of 19% indicate that municipality is not significantly grant dependent regarding funding of operations. Municipality does not as well relied on borrowings.

As table 2 depict above, grants (capital) increased from R80.5 million in 2015/16 audited result to R86 million in 2018/19 after taking PMU cost into consideration of R1.3 million. These allocations are in line with allocations in the 2017/18 annual Division of Revenue Act.

Debt Management

Bela-Bela Local Municipality debtors book have in the past financial year slight increased. Majority of Municipality debtor's book relate to debt over 120 days. Further reason for steady collection to reduce old debts which have become difficult to collect, relate to difficulties in locating or tracing some of the debtors.

The anticipated debt collection rate on the currently billed revenue is seating at an average of 90% and the Municipality is anticipating on increasing the debtors collection rate to 95% in the 2017/18 financial year. Municipality control measure are able to collect current debts due by implementing internal procedures which include the disconnection of services, where there are services that can be disconnected, the issuing of final notices, the conclusion of reasonable agreements where the settlement of the accounts are not possible and also the follow up on defaulting debtors not honoring arrangements. Municipality has in the previous period introduced a real time follow up process, such as SMS which constantly alert consumer on the accounts which are in arrears

The Municipality has also promulgated the Credit Control and Debt Collection policy to strengthen the internal credit control and debt collection procedures through handing over of all debt over 60 days to the appointed debt collector. The debt collector is employed on a basis of performance and certain targets been agreed to between the service provider and the municipality. If these performance targets are not met, the municipality will have to enforce all penalty clauses to debt collectors. The payment arrangement is to pay the service provider 14% of the debt collected

The Municipality continuously enforces the above procedures to ensure that debt which is collectable is collected and all debt that is regarded as not recoverable, be written off.

For 2017/2018 financial year, provision for debt impairment is decreased projected at R15 million. The anticipated lower provision when compare to previous year is as result of initiative which Municipality want to enforce through debt collection procedures and writing off debts which are not collectable. While this expenditure is considered to be a non-cash item, it inform the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues to be collected.

1.3.1.4. Operating Expenditure Framework

The following table is a high level summary of the 2017/18 budget and MTREF (classified per type of expenditure):

Table 10 Summary of operating expenditure by type

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type											
Employee related costs	2	72 555	89 903	103 699	104 758	117 549	117 549	73 594	119 752	126 937	134 554
Remuneration of councillors		8 394	5 969	6 326	6 708	6 708	6 708	4 051	6 947	7 364	7 806
Debt impairment	3	25 505	30 310	29 176	15 000	15 000	15 000	1 887	15 000	15 235	15 755
Depreciation & asset impairment	2	29 267	27 730	30 875	28 000	28 000	28 000	14 644	32 000	33 920	35 955
Finance charges		3 310	6 957	6 496	2 646	2 646	2 646	–	4 000	4 000	4 000
Bulk purchases	2	59 903	72 298	78 915	104 906	99 906	99 906	57 143	94 595	99 987	105 586
Other materials	8	12 278	14 445	12 129	29 812	15 862	15 862	4 002	30 603	26 766	28 759
Contracted services		17 187	14 441	10 181	21 222	8 833	8 833	9 141	26 188	27 721	29 350
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	43 063	55 357	73 978	63 152	71 999	71 999	34 078	64 468	68 236	72 199
Loss on disposal of PPE		–	(552)	102	(50)	50	50	–	100	102	106
Total Expenditure		**271 462**	**316 857**	**351 877**	**376 153**	**366 552**	**366 552**	**198 540**	**393 653**	**410 268**	**434 071**

Operating expenditure was reported at R366.5 million based on the Municipality adjusted budget of 2016/17. The anticipated operating expenditure for 2017/18 financial year is increased to R393.6 million which represent at least 7% increase from adjusted budget. Realistically when looking at historic result, operating expense increase year on year was reported at an average of 10% (Based on audited result of 2014/15 and 2015/16).

Some of the key features of the expenditure framework are:

- Material and bulk purchases decreased by at least 4% from the 2015/2016 adjusted budget. Factors that led to decrease of material and bulk purchases is as follows;
  - Lesser reliance on Magalies water supply and relying on boreholes
  - Eskom tariff increase by only 0.31% which is lesser that inflation
  - The erroneous over budgeting of bulk purchases in the 2016/17 financial year
- Personnel cost increases informed by the decisions of the SALGA Bargaining Council and the Remuneration of Public Office Bearers Act. Overall there is an increase in the total employee costs by 15% of the audited 2015/16 result. The increase of 15% doesn't represent individual salary increase as per SALGA bargaining council. Individual salary increase is projected at 7%. Other additional increase on the projected 15% have been provided for to cover any other vacant post which existed during the 2015/16 financial period;
- Balanced budget constraint (operating expenditure should not exceed operating revenue except for non-cash provisions) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Contracted services are reduced by 32.6% of the adjusted budget. This is due to non-renewal of some contracts when they expire during the financial year in line with the Municipality' strategy to reduce reliance on
- Other expenditure category is reduced by 7% due to cost containment measures. The breakdown of this category is found in Supporting Table SA1 attached and includes leasing of vehicles, capacity building, and fuel and oil costs. Strict adherence to the principle of no project plans, no budget. If there is no business plan no funding allocation can be made.

Municipality has undergone an exercise to cut expenditure without compromising expenditure which relate to service delivery.

Employee costs

The budgeted allocation for employee related costs for the 2017/18 financial year totals R119.7 million, which equals 30% of the total operating expenditure. MFMA circular 71 sets the norm to be between 25% and 40%. Bela-Bela is almost seating 30%, which is favourable to the municipality. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at just below 30% over the medium term. This leaves around 70% of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges.

Circular 86 refer: *The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:*

- ✓ *2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent*
  The previous years were:
- ✓ *2015/16 Financial Year – 7 per cent*
- ✓ *2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent*

Based on the three year collective SALGA agreement, salary increases have been factored into this budget at a percentage increase of 7% on the individual employees for the 2017/18 financial year.

Municipality has in the previous financial year embarked on the TASK grading exercise as stipulate on SALGBA Bargaining Council. Municipality is currently in the process to finalise the TASK grading exercise by making relevant consultation in order to make sure all compliance structure is adhered to before implementation. The 2017/18 financial year organisational structure has been costed in terms of The Vander Merwe system, TASK grading system will be considered after the finalisation of the grading of all position, adjustment budget may be necessary before implementation of the new salaries grading.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In this regard, the most recent proclamation of an increase of 7% has been considered in compiling the municipality’s budget.

Bulk Purchases

Directive/decision issued by NERSA setting the bulk purchase increase at 0.31 for electricity, whilst the increase on water was projected at 12% as the bulk purchase charge. This expenditure includes distribution losses.
There is a 4% reduction in bulk purchases based on the following factors:

- Lesser reliance on Magalies water supply and relying on boreholes
- Eskom tariff increase by only 0.31% which is lesser that inflation
- The erroneous over budgeting of bulk purchases in the 2016/17 financial year

Repairs and maintenance

DEPT NAME	2017/18	2018/19	2019/20
ROADS AND STORMWATER	R 12 600 000,00	R 7 530 000,00	R 8 231 800,00
WATER AND SANITATION	R 4 300 000,00	R 4 580 000,00	R 4 876 900,00
ELECTRICITY SERVICES	R 6 300 000,00	R 6 720 000,00	R 7 155 350,00
WASTE MANAGEMENT & CLEANSING	R 410 000,00	R 437 750,00	R 466 978,75
PROTECTION & EMERGENCY SERV	R 750 000,00	R 796 250,00	R 843 556,25
PARKS AND COMMUNITY FACILITIES	R 2 780 000,00	R 2 960 700,00	R 3 153 145,50
HOD - CORPORATE SERVICES	R 200 000,00	R 250 000,00	R 300 000,00
INFO & RECORDS MANAGMENT	R 500 000,00	R 550 000,00	R 600 000,00
COUNCIL ADMIN & LEGAL SERVICES	R 100 000,00	R 105 700,00	R 111 619,20
WASTE MANAGEMENT & CLEANSING	R 2 662 500,00	R 2 835 562,50	R 3 019 874,06
Total	**R 30 602 500,00**	**R 26 765 962,50**	**R 28 759 223,76**

The National Treasury Municipal Budget Circular number 66 for the 2011/2012 MTREF stated that municipalities must “secure the health of their asset base (especially the municipality’s revenue generating assets) by increasing spending on repairs and maintenance. The municipality has, over the last two financial years, increased the investment in repairs and maintenance as its priority. Due to funding challenges, the municipality’s budget for repairs and maintenance is around 7.6% or R30.6 million of the value of PPE estimated at R635.4 million for the 2017/18 financial year. Although this is below the 8% of the norm from National Treasury, this is a significant increase compared to the previous year. The municipality will not be able to achieve the 8% norm in one year, but will gradually improve to achieve that norm over the medium term.

Major repairs and maintenance proposed for the 2017/18 financial year:

Road and storm water: Municipality plans to procure tools which will be used during the road maintenance for 2017/18 financial period. Municipality further plans to re-gravel some of the roads which might have been impacted with the recent rains. KFC road was also marked as one of the major road in town which need resurfacing together with the refurbishment of settler’s road pump station.

Electricity: An estimated repair and maintenance of around R6.3 million is marked for electricity department. Municipality sub-station was marked as one of the area which require constant maintenance. Municipality also plans to spend around R3 million on general maintenance. Repairs of 3MVA, 315MKV and 500MKV transformers are also marked for maintenance in the 2017/18 financial year.

Water: Around R4.3 million was budgeted to maintain currently existing water infrastructure.

To successfully spend the repairs and maintenance as budgeted, Technical Service Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that seek to inform all future allocation decisions on repairs and maintenance. Both these documents were used as a tool in determining the priority of the municipality maintenance plan.

Finance charges

Finance charges entails cost associated with the finance lease contract as prescribed in General Recognised Accounting Practice General (GRAP). Municipality finance lease entailed

leases over fleet vehicles. The adjusted budget of 2016/17 reported finance lease charge of R2.6 million and it is now anticipated to increase to R4.0 million which represent at least 51% increase. The lower budgeted amount during 2016/17 was a result of lease contract which were terminated pending legal cases. New contract after following competitive bidding process was awarded. The budgeted finance cost of R4.0 million was determined based on the currently committed fleet contract.

Contracted Services

The municipality anticipates to utilise contracted services in the 2017/2018 with spending of R25.1 million or 6% of the total operating expenditure of R393 million. This spending was increased by 8% from 2016/2017 original budget to cater for any inflation adjustment.

In a long run, municipality intends not to solely rely on the contracted services to avoid reliance on the consultant. The municipality constantly monitors the consultants and ensures skills transfer is being done to the internal staff.

The budgeted spending of 6% of the total operating expenditure is above the norm of 5% as advised by National Treasury. Despite effort by Municipality to reduce this spending to an acceptable norm of 5%. Certain cost drivers are non-avoidable fees which were included in the contracted fees, such as services for infrastructure assets management, land fill audit and IT infrastructure.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The number of households budgeted during the 2016/17 MTREF was approximately 5000 and it is anticipated to increases slightly just over 5000 in the 2017/18 financial year. The total cost of free basic services amounts to R21.3 million for the 2017/18 financial year.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

The Municipality will provide free basic services as follows:

- Electricity – 50 kWh per month
- Water – 6 Kl per month
- Sanitation – 100% rebate
- Property rates – 100% Rebate
- Waste collection – 100% Rebate (four collections per month or once a week)

Depreciation

Depreciation for 2017/18 is increased R32.0 million from adjusted budget of R28.0 million. The increase represents 14% increase from the adjusted budget. The increase is as a result of major assets to be capitalised during 2016/17 financial year (Eg, CBD roads, Multi-purpose centre, new paved roads, etc). The Municipality continue to have assets (office equipment and furniture) that are reaching their useful through the financial year.

Other expenditure

Other expenditure was reduced from R113 million of the 2015/16 audited result to R108 million in 2017/18 budget year. The reduction is part of the plans to implement cost containment measures by the Municipality.

Among other proposed spending under other expenditure will include the re-branding of the Municipality office which will form part of the aligning Municipal strategic objective. Municipality also planned to host annual youth summit and place sign board at traffic centre during the 2017/18 financial year.

1.3.1.5. Operating Surplus / Deficit

Municipality anticipate incurring surplus of R1.6 million by the end of the 2017/18 budget year.
The below table which depict the surplus include operational income and operational expenditure, together with non-cash item relating to depreciation and debt impartment.

Table 11: Operating cash surplus/ deficit

Description	2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance			
Total Revenue (excluding capital transfers and contributions)	395 349 578	420 218 317	444 121 078
Total Expenditure	393 653 181	410 267 579	434 070 980
Surplus/(Deficit)	**1 696 397**	**9 950 738**	**10 050 099**

1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 12 - 2017/2018 Medium-term capital budget per vote

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure ***to be appropriated***	2										
Vote 1 - Chief Financial Officer		–	–	–	–	–	–	–	–	–	–
Vote 2 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 3 - Mayor		–	–	–	–	–	–	–	–	–	–
Vote 4 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 5 - Internal Audit		–	–	–	–	–	–	–	–	–	–
Vote 6 - Planning and Economic Development		–	–	–	–	–	–	–	–	–	–
Vote 7 - Social and Community Services		–	11 835	13 197	4 842	4 654	4 654	4 654	5 118	–	4 721
Vote 8 - Speaker		–	–	–	–	–	–	–	–	–	–
Vote 9 - Technical Services		–	38 137	47 374	74 600	79 789	79 789	79 789	79 871	86 244	102 847
Vote 10 - Technical Services		–	–	–	–	–	–	–	–	–	–
Vote 11 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 12 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**–**	**49 972**	**60 571**	**79 442**	**84 443**	**84 443**	**84 443**	**84 989**	**86 244**	**107 568**
Single-year expenditure ***to be appropriated***	2										
Vote 1 - Chief Financial Officer		–	–	416	–	–	–	–	–	–	–
Vote 2 - Corporate Services		–	–	250	–	600	600	600	250	300	500
Vote 3 - Mayor		–	–	–	–	–	–	–	–	–	–
Vote 4 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 5 - Internal Audit		–	–	–	–	–	–	–	–	–	–
Vote 6 - Planning and Economic Development		–	–	721	–	–	–	–	–	–	–
Vote 7 - Social and Community Services		4 014	646	–	1 310	1 310	1 310	1 310	–	–	–
Vote 8 - Speaker		–	–	–	–	–	–	–	–	–	–
Vote 9 - Technical Services		7 848	3 322	–	–	–	–	–	–	–	–
Vote 10 - Technical Services		–	–	–	–	–	–	–	–	–	–
Vote 11 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 12 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**11 862**	**3 968**	**1 387**	**1 310**	**1 910**	**1 910**	**1 910**	**250**	**300**	**500**
Total Capital Expenditure - Vote		**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**	**108 068**
Capital Expenditure - Functional											
Governance and administration		**–**	**–**	**666**	**–**	**600**	**600**	**600**	**250**	**300**	**500**
Executive and council		–	–	250	–	600	600	600	250	300	500
Finance and administration		–	–	416	–	–	–	–	–	–	–
Internal audit		–	–	–	–	–	–	–	–	–	–
Community and public safety		**4 014**	**11 835**	**13 197**	**6 152**	**5 964**	**5 964**	**5 964**	**5 118**	**–**	**4 721**
Community and social services		–	11 835	8 673	1 310	1 310	1 310	1 310	–	–	1 521
Sport and recreation		692	–	4 524	4 842	4 654	4 654	4 654	5 118		3 200
Public safety		3 322	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		**–**	**13 868**	**31 870**	**15 788**	**20 727**	**20 727**	**20 727**	**14 871**	**15 037**	**6 442**
Planning and development		–	646	721	–	–	–	–	–	–	–
Road transport		–	13 223	31 150	15 788	20 727	20 727	20 727	14 871	15 037	6 442
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		**–**	**28 236**	**16 224**	**58 812**	**59 062**	**59 062**	**59 062**	**65 000**	**71 207**	**96 405**
Energy sources		–	–	2 079	28 000	28 000	28 000	28 000	25 000	20 000	35 000
Water management		–	28 236	10 000	30 000	30 000	30 000	30 000	40 000	51 207	61 405
Waste water management		–	–	4 146	812	1 062	1 062	1 062	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–
Other		**7 848**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Functional	3	**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**	**108 068**
Funded by:											
National Government		11 862	24 701	50 792	79 442	79 443	79 443	79 443	84 989	86 244	107 568
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	**11 862**	**24 701**	**50 792**	**79 442**	**79 443**	**79 443**	**79 443**	**84 989**	**86 244**	**107 568**
Public contributions & donations	5										
Borrowing	6										
Internally generated funds			29 239	11 165	1 310	6 910	6 910	6 910	250	300	500
Total Capital Funding	7	**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**	**108 068**

As part of the budget documentation there is a Draft Prioritisation Model for Capital Assets Investment (attached as Annexure1 to this report) against which all capital projects will be evaluated and prioritised for competing for available capital budget funding resources.

Total capital expenditure was allocated to the tune of R 80.7 million for 2016/17 financial year. This was increased from R80.7 million to R84.9 million for 2017/18 financial year with major allocation relating to MWIG and INEP of R35 million and R25 million respectively.

Tables 13 below detail the municipality's three year consolidated MIG infrastructure investment program for 2017/2018 to 2019/2020.

Municipal Infrastructure Grant (MIG) allocation of R26.3 million for 2017/2018 will be allocated as follows:

Table 13: Capital programme

PROPOSED THREE YEAR CAPITAL INVESTMENT PLAN (17/18 - 19/20)						
PROJECT DESCRIPTION	**MIG registered**	**16/17 rollover**	**17/18 budget**	**18/19 budget**	**19/20 budget**	**Funding**
Upgrade Sunfa stadium	16 781 050	3 437 517	5 117 662			MIG
Paving of bus route: Rapatokwane	10 567 950	6 786 483				MIG
Storm water Marikana Street (X6)	8 276 000	4 776 000				MIG
PMU costs			1 315 200	1 381 250	1 450 950	MIG
Paving of streets	22 750 000		5 764 138	10 543 750	6 442 112	MIG
Stormwater Spa Park	8 500 000		4 007 000	4 493 000		MIG
WWTW Pienaarsrivier	8 500 000		5 000 000	2 570 000		MIG
Widening Mile street bridge	5 100 000		5 100 000			MIG
WWTW Masakhane	22 830 241			8 637 000	12 906 240	MIG
Satellite Offices at Bela Bela Hall	15 000 000				1 520 810	MIG
Extention of existing grave yard					3 200 000	MIG
Refurbish old section of WTW and 1Ml contact tank	20 000 000				3 498 888	MIG
Water infrastrucutre projects			35 000 000	40 000 000	45 000 000	MWIG
Electricity sub-station			25 000 000	20 000 000	35 000 000	INEP
Furniture and Equipment			250 000	300 000	500 000	Own
TOTAL	**138 305 241**	**15 000 000**	**86 554 000**	**87 925 000**	**109 519 000**	

Municipality is allocated R26.3 million on Municipal Infrastructure Grant (MIG) after considering PMU cost of R1.3 million and this was increased from R22.5 million from previous financial year.

The combined capital expenditure is depicted as follows. The grant allocation as per bellow are in line with the Division of Revenue Act issued for 2017/18 MTREF.

Table 14: Sources of funding capital programme

Capital (R000)	***2017/18***	***2018/19***	***2019/20***
MIG	26 304 000	27 625 000	29 019 000
MWIG	35 000 000	31 533 200	68 330 240
INEP	25 000 000	20 000 000	35 000 000
Own Source	250	300	500
Total	***86 554 000***	***79 458 200***	***132 849 240***

Total capital allocation is seating R86 million with majority of the allocation being channelled to water infrastructure.

Due to Municipality trying to implement cost containment measure, internal funded projects is projected to be R250 000 which is allocated for furniture and equipment.

1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

Table 16 MBRR TableA1 - Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	**53 069**	54 229	46 337	94 648	79 648	79 648	41 818	80 199	84 829	91 775
Service charges	117 170	115 338	142 035	172 645	172 645	172 645	99 081	178 780	189 414	200 559
Investment revenue	782	2 268	940	300	1 300	1 300	1 428	1 510	3 011	1 265
Transfers recognised - operational	63 582	59 137	67 205	71 118	71 118	71 118	51 308	77 639	84 692	91 213
Other own revenue	49 045	20 271	20 690	39 273	42 823	42 823	21 059	57 222	58 272	59 310
Total Revenue (excluding capital transfers and contributions)	283 648	251 243	277 207	377 984	367 534	367 534	214 693	395 350	420 218	444 121
Employee costs	72 555	89 903	103 699	104 758	117 549	117 549	73 594	119 752	126 937	134 554
Remuneration of councillors	8 394	5 969	6 326	6 708	6 708	6 708	4 051	6 947	7 364	7 806
Depreciation & asset impairment	29 267	27 730	30 875	28 000	28 000	28 000	14 644	32 000	33 920	35 955
Finance charges	3 310	6 957	6 496	2 646	2 646	2 646	–	4 000	4 000	4 000
Materials and bulk purchases	72 180	86 743	91 044	134 717	115 767	115 767	61 145	125 198	126 753	134 345
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	85 755	99 556	113 438	99 324	95 882	95 882	45 106	105 756	111 293	117 411
Total Expenditure	271 462	316 857	351 877	376 153	366 552	366 552	198 540	393 653	410 268	434 071
Surplus/(Deficit)	12 186	(65 614)	(74 670)	1 831	982	982	16 153	1 696	9 951	10 050
Transfers and subsidies - capital (monetary alloc	15 836	24 701	37 047	80 571	80 571	80 571	–	86 304	87 625	109 019
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	28 022	(40 914)	(37 623)	82 402	81 553	81 553	16 153	88 000	97 576	119 069
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	28 022	(40 914)	(37 623)	82 402	81 553	81 553	16 153	88 000	97 576	119 069
Capital expenditure & funds sources										
Capital expenditure	**11 862**	53 940	61 958	80 752	86 353	86 353	86 353	85 239	86 544	108 068
Transfers recognised - capital	**11 862**	24 701	50 792	79 442	79 443	79 443	79 443	84 989	86 244	107 568
Public contributions & donations	**–**	–	–	–	–	–	–	–	–	–
Borrowing	**–**	–	–	–	–	–	–	–	–	–
Internally generated funds	**–**	29 239	11 165	1 310	6 910	6 910	6 910	250	300	500
Total sources of capital funds	**11 862**	53 940	61 958	80 752	86 353	86 353	86 353	85 239	86 544	108 068
Financial position										
Total current assets	**68 718**	44 613	57 351	39 244	39 244	29 244	40 135	69 803	129 032	190 108
Total non current assets	**700 970**	719 795	937 918	750 806	750 806	750 806	750 806	816 654	861 158	907 248
Total current liabilities	**37 073**	79 598	149 927	40 000	74 434	12 000	12 000	54 684	57 995	61 509
Total non current liabilities	**62 216**	52 197	91 778	34 990	34 990	34 990	34 990	37 089	39 314	41 870
Community wealth/Equity	**670 399**	632 613	753 565	715 060	680 626	733 060	743 951	794 683	892 881	993 977
Cash flows										
Net cash from (used) operating	**53 175**	19 234	90 507	110 909	110 060	110 060	130 060	122 560	136 866	163 637
Net cash from (used) investing	**(10 667)**	(51 307)	(61 080)	(70 702)	(76 203)	(86 253)	(147 935)	(84 889)	(86 137)	(107 455)
Net cash from (used) financing	**(11 434)**	10 630	18 642	2 000	2 000	(23 191)	(23 183)	(5 116)	3 844	2 017
Cash/cash equivalents at the year end	**33 622**	12 179	60 248	6 588	42 446	43 062	1 388	33 943	88 517	146 716
Cash backing/surplus reconciliation										
Cash and investments available	**30 653**	12 656	31 382	10 000	10 000	–	–	33 943	88 517	146 716
Application of cash and investments	**(15 495)**	33 594	103 545	360	35 208	(27 226)	(68 075)	5 253	3 339	3 228
Balance - surplus (shortfall)	**46 148**	(20 938)	(72 163)	9 640	(25 208)	27 226	68 075	28 690	85 177	143 488
Asset management										
Asset register summary (WDV)	**690 848**	718 590	937 591	750 806	750 806	750 806	816 654	816 654	861 158	907 248
Depreciation	**29 267**	27 730	30 875	28 000	28 000	28 000	14 644	14 644	32 000	33 920
Renewal of Existing Assets	**–**	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	**(1 682)**	12 434	16 760	22 230	22 230	22 230	24 203	24 203	27 178	28 020
Free services										
Cost of Free Basic Services provided	**–**	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	**24 092**	33 731	36 036	52 475	62 475	62 475	62 952	62 952	67 098	71 506
Households below minimum service level										
Water:	13	13	11	10	10	10	8	8	7	5
Sanitation/sewerage:	17	17	14	12	12	12	11	11	10	10
Energy:	3	3	3	3	3	3	2	2	2	2
Refuse:	3	3	3	3	3	3	3	3	3	3

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF.
4. The MTREF for 2017/2018 depicts a surplus of R6.9 million before taking non-cash (depreciation) item into consideration.
5. Anticipated surpluses after capital transfers of R84.0 million is seating at R100.9 Million. The high increase is as result of the allocation of R60 million (R35 million plus R25 millions of MWIG and INEP respectively). These grants are increased year on year as result of good performance by Municipality in meeting the condition attached to the grants.

Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional										
Governance and administration		**119 503**	**117 251**	**121 463**	**152 918**	**142 468**	**142 468**	**209 703**	**223 834**	**236 570**
Executive and council		–	–	–	–	–	–	–	–	–
Finance and administration		119 503	117 251	121 463	152 918	142 468	142 468	209 703	223 834	236 570
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		**258**	**269**	**338**	**390**	**390**	**390**	**581**	**617**	**655**
Community and social services		258	269	338	390	390	390	580	616	654
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	1	1	1
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		**39 617**	**9 332**	**6 989**	**28 200**	**28 200**	**28 200**	**28 897**	**30 473**	**32 029**
Planning and development		142	1 610	196	200	200	200	2 593	2 848	3 010
Road transport		39 474	7 722	6 793	28 000	28 000	28 000	26 304	27 625	29 019
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**140 106**	**149 092**	**185 465**	**277 047**	**277 047**	**277 047**	**242 472**	**252 918**	**283 885**
Energy sources		85 581	86 070	103 842	147 489	147 489	147 489	151 749	153 855	176 239
Water management		–	–	–	–	–	–	80 676	88 596	96 723
Waste water management		46 952	55 256	73 513	114 695	114 695	114 695	(357)	(465)	(575)
Waste management		7 573	7 766	8 110	14 862	14 862	14 862	10 405	10 933	11 499
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	**299 484**	**275 944**	**314 254**	**458 555**	**448 105**	**448 105**	**481 654**	**507 843**	**553 140**
Expenditure - Functional										
Governance and administration		**143 577**	**166 456**	**188 945**	**224 471**	**166 536**	**166 536**	**174 810**	**184 705**	**195 523**
Executive and council		16 799	12 221	14 514	9 957	16 840	16 840	11 361	11 940	12 582
Finance and administration		125 752	152 794	171 626	214 202	147 780	147 780	152 338	161 001	170 485
Internal audit		1 026	1 440	2 804	312	1 916	1 916	11 111	11 764	12 457
Community and public safety		**8 410**	**8 720**	**11 128**	**5 560**	**11 862**	**11 862**	**42 153**	**44 671**	**47 290**
Community and social services		8 410	8 720	11 128	5 560	11 862	11 862	24 517	26 004	27 576
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	17 636	18 667	19 714
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		**29 436**	**28 224**	**29 052**	**17 892**	**36 317**	**36 317**	**33 845**	**30 578**	**32 334**
Planning and development		7 325	8 054	10 574	3 865	13 076	13 076	11 190	11 844	12 506
Road transport		22 111	20 170	18 478	14 027	23 241	23 241	22 656	18 734	19 828
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**90 039**	**113 457**	**122 752**	**128 230**	**151 837**	**151 837**	**142 845**	**150 314**	**158 924**
Energy sources		61 304	78 116	85 508	104 848	105 184	105 184	95 901	101 432	107 174
Water management		–	–	–	–	–	–	26 363	27 934	29 592
Waste water management		21 145	25 303	25 352	18 635	31 871	31 871	7 263	7 735	8 237
Waste management		7 590	10 039	11 893	4 747	14 781	14 781	13 318	13 213	13 920
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	**271 462**	**316 857**	**351 877**	**376 153**	**366 552**	**366 552**	**393 653**	**410 268**	**434 071**
Surplus/(Deficit) for the year		**28 022**	**(40 914)**	**(37 623)**	**82 402**	**81 553**	**81 553**	**88 000**	**97 576**	**119 069**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) of R86.3 million, R87.6 million and R109.0 million over the 2017/2018 MTREF.

Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Vote 1 - Chief Financial Officer		118 331	116 014	120 225	151 408	140 958	140 958	208 038	222 012	234 575
Vote 2 - Corporate Services		1 172	1 236	1 238	1 510	1 510	1 510	1 665	1 822	1 996
Vote 3 - Mayor		–	–	–	–	–	–	–	–	–
Vote 4 - Municipal Manager		–	–	–	–	–	–	–	–	–
Vote 5 - Internal Audit		–	–	–	–	–	–	–	–	–
Vote 6 - Planning and Economic Development		142	195	196	200	200	200	2 593	2 848	3 010
Vote 7 - Social and Community Services		47 305	17 173	15 241	43 252	43 252	43 252	10 986	11 550	12 154
Vote 8 - Speaker		–	–	–	–	–	–	–	–	–
Vote 9 - Technical Services		132 533	141 326	177 355	262 184	262 184	262 184	106 980	116 221	125 742
Vote 10 - Technical Services		–	–	–	–	–	–	151 391	153 390	175 664
Vote 11 - Balance Sheet		–	–	–	–	–	–	–	–	–
Vote 12 - Balance Sheet		0	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**299 484**	**275 944**	**314 254**	**458 555**	**448 105**	**448 105**	**481 654**	**507 843**	**553 140**
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Chief Financial Officer		95 925	91 096	109 458	161 785	79 843	79 843	67 290	70 480	74 109
Vote 2 - Corporate Services		29 827	61 698	62 168	52 417	67 936	67 936	85 049	90 521	96 376
Vote 3 - Mayor		1 708	1 609	618	970	970	970	1 472	1 485	1 497
Vote 4 - Municipal Manager		2 450	2 517	4 605	227	6 008	6 008	1 909	2 020	2 137
Vote 5 - Internal Audit		1 026	1 440	2 804	312	1 916	1 916	11 111	11 764	12 457
Vote 6 - Planning and Economic Development		5 180	6 899	9 644	2 632	11 158	11 158	3 520	3 714	3 888
Vote 7 - Social and Community Services		31 261	29 838	33 886	16 787	41 608	41 608	55 471	57 884	61 210
Vote 8 - Speaker		12 642	8 096	9 292	8 760	9 862	9 862	7 979	8 435	8 948
Vote 9 - Technical Services		91 444	113 665	119 403	132 263	147 250	147 250	49 018	46 667	49 421
Vote 10 - Technical Services		–	–	–	–	–	–	110 834	117 297	124 029
Vote 11 - Balance Sheet		–	–	–	–	–	–	–	–	–
Vote 12 - Balance Sheet		–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**271 462**	**316 857**	**351 877**	**376 153**	**366 552**	**366 552**	**393 653**	**410 268**	**434 071**
Surplus/(Deficit) for the year	2	**28 022**	**(40 914)**	**(37 623)**	**82 402**	**81 553**	**81 553**	**88 000**	**97 576**	**119 069**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
2. The table shows that technical services is the largest generator of revenue. This is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) by type

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	53 069	54 229	46 337	94 648	79 648	79 648	41 818	80 199	84 829	91 775
Service charges - electricity revenue	2	84 138	84 980	103 327	106 469	106 469	106 469	68 550	124 567	131 667	139 040
Service charges - water revenue	2	18 780	17 523	22 625	35 584	35 584	35 584	15 982	26 979	28 811	30 768
Service charges - sanitation revenue	2	6 816	6 366	9 465	11 127	11 127	11 127	10 176	16 143	17 239	18 409
Service charges - refuse revenue	2	6 030	5 469	6 172	11 265	11 265	11 265	4 207	9 969	10 510	11 087
Service charges - other		1 407	1 000	447	8 200	8 200	8 200	166	1 123	1 188	1 255
Rental of facilities and equipment		998	1 114	1 107	1 550	1 550	1 550	696	1 813	1 984	2 172
Interest earned - external investments		782	2 268	940	300	1 300	1 300	1 428	1 510	3 011	1 265
Interest earned - outstanding debtors		3 891	6 049	5 295	3 500	7 000	7 000	5 075	9 850	9 358	8 890
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		29 904	4 451	3 029	13 000	13 000	13 000	6 945	25 000	25 000	25 000
Licences and permits		9 123	2 742	3 201	15 000	15 000	15 000	7 333	16 500	17 441	18 417
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		63 582	59 137	67 205	71 118	71 118	71 118	51 308	77 639	84 692	91 213
Other revenue	2	5 129	5 915	8 059	6 223	6 223	6 223	1 009	4 059	4 490	4 831
Gains on disposal of PPE		–	–	–	–	50	50	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		**283 648**	**251 243**	**277 207**	**377 984**	**367 534**	**367 534**	**214 693**	**395 350**	**420 218**	**444 121**
Expenditure By Type											
Employee related costs	2	72 555	89 903	103 699	104 758	117 549	117 549	73 594	119 752	126 937	134 554
Remuneration of councillors		8 394	5 969	6 326	6 708	6 708	6 708	4 051	6 947	7 364	7 806
Debt impairment	3	25 505	30 310	29 176	15 000	15 000	15 000	1 887	15 000	15 235	15 755
Depreciation & asset impairment	2	29 267	27 730	30 875	28 000	28 000	28 000	14 644	32 000	33 920	35 955
Finance charges		3 310	6 957	6 496	2 646	2 646	2 646	–	4 000	4 000	4 000
Bulk purchases	2	59 903	72 298	78 915	104 906	99 906	99 906	57 143	94 595	99 987	105 586
Other materials	8	12 278	14 445	12 129	29 812	15 862	15 862	4 002	30 603	26 766	28 759
Contracted services		17 187	14 441	10 181	21 222	8 833	8 833	9 141	26 188	27 721	29 350
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	43 063	55 357	73 978	63 152	71 999	71 999	34 078	64 468	68 236	72 199
Loss on disposal of PPE		–	(552)	102	(50)	50	50	–	100	102	106
Total Expenditure		**271 462**	**316 857**	**351 877**	**376 153**	**366 552**	**366 552**	**198 540**	**393 653**	**410 268**	**434 071**
Surplus/(Deficit)		**12 186**	**(65 614)**	**(74 670)**	**1 831**	**982**	**982**	**16 153**	**1 696**	**9 951**	**10 050**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		15 836	24 701	37 047	80 571	80 571	80 571	–	86 304	87 625	109 019
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		**28 022**	**(40 914)**	**(37 623)**	**82 402**	**81 553**	**81 553**	**16 153**	**88 000**	**97 576**	**119 069**
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		**28 022**	**(40 914)**	**(37 623)**	**82 402**	**81 553**	**81 553**	**16 153**	**88 000**	**97 576**	**119 069**
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		**28 022**	**(40 914)**	**(37 623)**	**82 402**	**81 553**	**81 553**	**16 153**	**88 000**	**97 576**	**119 069**
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		**28 022**	**(40 914)**	**(37 623)**	**82 402**	**81 553**	**81 553**	**16 153**	**88 000**	**97 576**	**119 069**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Municipality anticipate receiving revenue of R395 million in 2017/2018 as compared to the 2016/17 adjusted budget revenue of R367.5 million. This represent the percentage increase of 7.0% against adjusted budget. Municipality major tariff were increased by 6.79% and are summarised on the tariff book;
2. Revenue to be generated from property rates is projected to be R80 million in the 2017/2018 financial year (before taking into account revenue forgone) which was increased from R79.6 million of the 2017/2018 adjusted budget. The slight increase is due to implementation of objection on the latest valuation roll conducted by Municipality;

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R178 million for the 2017/18 which increased from R172.6 million from 2016/17 adjusted budget
   Services charges constitute 54% of the total revenue (excluding grants) base and grows by less than 7% per annum I the coming forecast year of 2018/19;
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government; and
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure ***to be appropriated***	2										
Vote 1 - Chief Financial Officer		–	–	–	–	–	–	–	–	–	–
Vote 2 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 3 - Mayor		–	–	–	–	–	–	–	–	–	–
Vote 4 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 5 - Internal Audit		–	–	–	–	–	–	–	–	–	–
Vote 6 - Planning and Economic Development		–	–	–	–	–	–	–	–	–	–
Vote 7 - Social and Community Services		–	11 835	13 197	4 842	4 654	4 654	4 654	5 118	–	4 721
Vote 8 - Speaker		–	–	–	–	–	–	–	–	–	–
Vote 9 - Technical Services		–	38 137	47 374	74 600	79 789	79 789	79 789	79 871	86 244	102 847
Vote 10 - Technical Services		–	–	–	–	–	–	–	–	–	–
Vote 11 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 12 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**–**	**49 972**	**60 571**	**79 442**	**84 443**	**84 443**	**84 443**	**84 989**	**86 244**	**107 568**
Single-year expenditure ***to be appropriated***	2										
Vote 1 - Chief Financial Officer		–	–	416	–	–	–	–	–	–	–
Vote 2 - Corporate Services		–	–	250	–	600	600	600	250	300	500
Vote 3 - Mayor		–	–	–	–	–	–	–	–	–	–
Vote 4 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 5 - Internal Audit		–	–	–	–	–	–	–	–	–	–
Vote 6 - Planning and Economic Development		–	–	721	–	–	–	–	–	–	–
Vote 7 - Social and Community Services		4 014	646	–	1 310	1 310	1 310	1 310	–	–	–
Vote 8 - Speaker		–	–	–	–	–	–	–	–	–	–
Vote 9 - Technical Services		7 848	3 322	–	–	–	–	–	–	–	–
Vote 10 - Technical Services		–	–	–	–	–	–	–	–	–	–
Vote 11 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 12 - Balance Sheet		–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**11 862**	**3 968**	**1 387**	**1 310**	**1 910**	**1 910**	**1 910**	**250**	**300**	**500**
Total Capital Expenditure - Vote		**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**	**108 068**
Capital Expenditure - Functional											
Governance and administration		**–**	**–**	**666**	**–**	**600**	**600**	**600**	**250**	**300**	**500**
Executive and council		–	–	250	–	600	600	600	250	300	500
Finance and administration		–	–	416	–	–	–	–	–	–	–
Internal audit		–	–	–	–	–	–	–	–	–	–
Community and public safety		**4 014**	**11 835**	**13 197**	**6 152**	**5 964**	**5 964**	**5 964**	**5 118**	**–**	**4 721**
Community and social services		–	11 835	8 673	1 310	1 310	1 310	1 310	–	–	1 521
Sport and recreation		692	–	4 524	4 842	4 654	4 654	4 654	5 118		3 200
Public safety		3 322	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		**–**	**13 868**	**31 870**	**15 788**	**20 727**	**20 727**	**20 727**	**14 871**	**15 037**	**6 442**
Planning and development		–	646	721	–	–	–	–	–	–	–
Road transport		–	13 223	31 150	15 788	20 727	20 727	20 727	14 871	15 037	6 442
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		**–**	**28 236**	**16 224**	**58 812**	**59 062**	**59 062**	**59 062**	**65 000**	**71 207**	**96 405**
Energy sources		–	–	2 079	28 000	28 000	28 000	28 000	25 000	20 000	35 000
Water management		–	28 236	10 000	30 000	30 000	30 000	30 000	40 000	51 207	61 405
Waste water management		–	–	4 146	812	1 062	1 062	1 062	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–
Other		**7 848**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Functional	3	**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**	**108 068**
Funded by:											
National Government		11 862	24 701	50 792	79 442	79 443	79 443	79 443	84 989	86 244	107 568
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	**11 862**	**24 701**	**50 792**	**79 442**	**79 443**	**79 443**	**79 443**	**84 989**	**86 244**	**107 568**
Public contributions & donations	5										
Borrowing	6										
Internally generated funds			29 239	11 165	1 310	6 910	6 910	6 910	250	300	500
Total Capital Funding	7	**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**	**108 068**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial department;
2. Single-year capital expenditure has been appropriated at R85 million for the 2017/2018 after taking into consideration PMU cost of R1.3 Million;
3. Only R250 000 has been budgeted from municipality's own sources for 2017/2018 financial period; and
4. The municipality has not budgeted for any long term borrowing to fund the capital programme.

Table 21 MBRR Table A6 -Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS											
Current assets											
Cash		30 653	12 656	31 382	–	–	–	–	33 943	88 517	146 716
Call investment deposits	1	–	–	–	10 000	10 000	–	–	–	–	–
Consumer debtors	1	30 776	27 852	15 630	29 244	29 244	29 244	29 244	24 128	27 973	29 989
Other debtors		7 184	3 970	10 194	–	–	–	10 891	11 632	12 422	13 267
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	106	134	145	–	–	–	–	100	120	135
Total current assets		**68 718**	**44 613**	**57 351**	**39 244**	**39 244**	**29 244**	**40 135**	**69 803**	**129 032**	**190 108**
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		175 141	176 953	343 301	177 000	177 000	177 000	177 000	178 000	181 000	183 000
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	513 038	539 035	591 734	570 806	570 806	570 806	570 806	635 454	676 758	720 748
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		2 669	2 603	2 556	3 000	3 000	3 000	3 000	3 200	3 400	3 500
Other non-current assets		10 122	1 205	327	–	–	–	–	–	–	–
Total non current assets		**700 970**	**719 795**	**937 918**	**750 806**	**750 806**	**750 806**	**750 806**	**816 654**	**861 158**	**907 248**
TOTAL ASSETS		**769 688**	**764 408**	**995 269**	**790 050**	**790 050**	**780 050**	**790 941**	**886 457**	**990 190**	**1 097 355**
LIABILITIES											
Current liabilities											
Bank overdraft	1	0	0	0	–	–	–	–	–	–	–
Borrowing	4	375	3 279	(0)	–	–	–	–	–	–	–
Consumer deposits		5 523	5 465	5 342	5 000	5 000	5 000	5 000	5 250	5 513	5 788
Trade and other payables	4	18 089	53 876	123 544	28 000	62 434	–	–	38 434	40 932	43 593
Provisions		13 085	16 978	21 041	7 000	7 000	7 000	7 000	11 000	11 550	12 128
Total current liabilities		**37 073**	**79 598**	**149 927**	**40 000**	**74 434**	**12 000**	**12 000**	**54 684**	**57 995**	**61 509**
Non current liabilities											
Borrowing		10 767	6 490	28 533	6 620	6 620	6 620	6 620	7 017	7 438	7 922
Provisions		51 448	45 707	63 244	28 370	28 370	28 370	28 370	30 072	31 876	33 948
Total non current liabilities		**62 216**	**52 197**	**91 778**	**34 990**	**34 990**	**34 990**	**34 990**	**37 089**	**39 314**	**41 870**
TOTAL LIABILITIES		**99 288**	**131 795**	**241 704**	**74 990**	**109 424**	**46 990**	**46 990**	**91 773**	**97 309**	**103 379**
NET ASSETS	5	**670 399**	**632 613**	**753 565**	**715 060**	**680 626**	**733 060**	**743 951**	**794 683**	**892 881**	**993 977**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		670 399	632 613	753 565	715 060	680 626	733 060	743 951	794 683	892 881	993 977
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**670 399**	**632 613**	**753 565**	**715 060**	**680 626**	**733 060**	**743 951**	**794 683**	**892 881**	**993 977**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understanbility for councillors and management of the impact of the budget on the statement of financial position (balance sheet);
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first;
3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non-current liabilities;
   - Changes in net assets; and

- Reserves.

4. The Municipal's equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community; and
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		53 069	54 229	50 626	89 915	74 915	74 915	74 915	76 189	80 588	87 186
Service charges		113 767	72 148	151 079	164 013	164 013	164 013	164 013	169 841	179 943	190 531
Other revenue		735	28 210	9 759	35 823	35 773	35 773	35 773	47 372	48 914	50 420
Government - operating	1	64 022	58 544	67 205	71 118	71 118	71 118	71 118	77 639	84 692	91 213
Government - capital	1	15 836	24 701	37 047	79 442	79 442	79 442	79 442	86 304	87 625	109 019
Interest		4 674	8 317	6 235	3 800	8 300	8 300	8 300	11 360	12 369	10 155
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(195 618)	(226 714)	(224 950)	(330 557)	(320 856)	(320 856)	(300 856)	(342 144)	(353 265)	(370 886)
Finance charges		(3 310)	(201)	(6 496)	(2 646)	(2 646)	(2 646)	(2 646)	(4 000)	(4 000)	(4 000)
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**53 175**	**19 234**	**90 507**	**110 909**	**110 060**	**110 060**	**130 060**	**122 560**	**136 866**	**163 637**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	–	50	150	100	100	100	107	113
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	(61 682)	–	–	–
Decrease (increase) other non-current receivables		1 194	2 633	878	–	–	–		–	–	–
Decrease (increase) in non-current investments		–	–	–	10 000	10 000	–		–	–	–
Payments											
Capital assets		(11 861)	(53 940)	(61 958)	(80 752)	(86 353)	(86 353)	(86 353)	(84 989)	(86 244)	(107 568)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(10 667)**	**(51 307)**	**(61 080)**	**(70 702)**	**(76 203)**	**(86 253)**	**(147 935)**	**(84 889)**	**(86 137)**	**(107 455)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		43	6 447	22 043	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	(123)	2 000	2 000	5 342	5 350	(5 116)	3 844	2 017
Payments											
Repayment of borrowing		(11 478)	4 183	(3 279)	–	–	(28 533)	(28 533)	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(11 434)**	**10 630**	**18 642**	**2 000**	**2 000**	**(23 191)**	**(23 183)**	**(5 116)**	**3 844**	**2 017**
NET INCREASE/ (DECREASE) IN CASH HELD		**31 074**	**(21 443)**	**48 069**	**42 207**	**35 857**	**616**	**(41 058)**	**32 555**	**54 574**	**58 199**
Cash/cash equivalents at the year begin:	2	**2 548**	**33 622**	**12 179**	**(35 618)**	**6 588**	**42 446**	**42 446**	**1 388**	**33 943**	**88 517**
Cash/cash equivalents at the year end:	2	**33 622**	**12 179**	**60 248**	**6 588**	**42 446**	**43 062**	**1 388**	**33 943**	**88 517**	**146 716**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded;
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R33.9 million in 2017/2018; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	33 622	12 179	60 248	6 588	42 446	43 062	1 388	33 943	88 517	146 716
Other current investments > 90 days		(2 970)	478	(28 866)	3 412	(32 446)	(43 062)	(1 388)	–	–	–
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**30 653**	**12 656**	**31 382**	**10 000**	**10 000**	**–**	**–**	**33 943**	**88 517**	**146 716**
Application of cash and investments											
Unspent conditional transfers		293	0	34 434	–	34 434	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	(15 788)	33 594	69 111	360	774	(27 226)	(68 075)	5 253	3 339	3 228
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**(15 495)**	**33 594**	**103 545**	**360**	**35 208**	**(27 226)**	**(68 075)**	**5 253**	**3 339**	**3 228**
Surplus(shortfall)		**46 148**	**(20 938)**	**(72 163)**	**9 640**	**(25 208)**	**27 226**	**68 075**	**28 690**	**85 177**	**143 488**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2017/2018 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
6. The table shows that the budget is funded over the medium term, taking into account the working capital requirements.

Table 24 MBRR Table A9 - Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CAPITAL EXPENDITURE										
Total New Assets	1	**7 989**	**29 321**	**44 534**	**63 763**	**63 763**	**63 763**	**74 381**	**79 266**	**84 665**
Roads Infrastructure		7 848	17 346	32 034	46 504	46 504	46 504	56 000	59 440	63 517
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		140	11 975	12 500	17 259	17 259	17 259	18 381	19 576	20 848
Infrastructure		***7 989***	***29 321***	***44 534***	***63 763***	***63 763***	***63 763***	***74 381***	***79 016***	***84 365***
Furniture and Office Equipment		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**250**	**300**
Total Upgrading of Existing Assets	6	**3 873**	**24 619**	**17 424**	**16 990**	**22 590**	**22 590**	**11 972**	**5 973**	**1 879**
Roads Infrastructure		3 873	24 619	17 424	16 990	22 590	22 590	11 972	5 973	1 879
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		***3 873***	***24 619***	***17 424***	***16 990***	***22 590***	***22 590***	***11 972***	***5 973***	***1 879***
Total Capital Expenditure	4									
Roads Infrastructure		11 722	41 964	49 458	63 493	69 094	69 094	67 972	65 413	65 396
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		140	11 975	12 500	17 259	17 259	17 259	18 381	19 576	20 848
Infrastructure		***11 862***	***53 940***	***61 958***	***80 752***	***86 353***	***86 353***	***86 353***	***84 989***	***86 244***
Furniture and Office Equipment		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**250**	**300**
TOTAL CAPITAL EXPENDITURE - Asset class		**11 862**	**53 940**	**61 958**	**80 752**	**86 353**	**86 353**	**86 353**	**85 239**	**86 544**
ASSET REGISTER SUMMARY - PPE (W	5									
Roads Infrastructure		512 499	356 467	67 000	201 812	201 812	201 812	218 547	225 113	239 746
Storm water Infrastructure				30 000	48 199	48 199	48 199	77 879	109 679	116 808
Electrical Infrastructure				25 000	95 866	95 866	95 866	127 666	169 006	179 992
Water Supply Infrastructure				44 000	65 018	65 018	65 018	65 879	69 831	74 370
Sanitation Infrastructure				150 000	35 536	35 536	35 536	37 669	39 929	42 524
Infrastructure		***512 499***	***356 467***	***316 000***	***446 431***	***446 431***	***446 431***	***527 639***	***613 558***	***653 440***
Community Facilities					36 534	36 534	36 534	43 055	50 188	53 450
Sport and Recreation Facilities					539	539	539	571	606	645
Community Assets		**–**	**–**	**–**	***37 073***	***37 073***	***37 073***	***43 627***	***50 793***	***54 095***
Heritage Assets										
Revenue Generating		175 141	176 953	343 301	177 000	177 000	177 000	178 000	181 000	183 000
Non-revenue Generating										
Investment properties		***175 141***	***176 953***	***343 301***	***177 000***	***177 000***	***177 000***	***178 000***	***181 000***	***183 000***
Operational Buildings		539	182 568	275 734	87 302	87 302	87 302	64 188	12 407	13 213
Housing										
Other Assets		***539***	***182 568***	***275 734***	***87 302***	***87 302***	***87 302***	***64 188***	***12 407***	***13 213***
Biological or Cultivated Assets										
Licences and Rights		2 669	2 603	2 556	3 000	3 000	3 000	3 200	3 400	3 500
Intangible Assets		***2 669***	***2 603***	***2 556***	***3 000***	***3 000***	***3 000***	***3 200***	***3 400***	***3 500***
Computer Equipment										
Zoo's, Marine and Non-biological Animals										
TOTAL ASSET REGISTER SUMMARY -	5	**690 848**	**718 590**	**937 591**	**750 806**	**750 806**	**750 806**	**816 654**	**861 158**	**907 248**
EXPENDITURE OTHER ITEMS										
Depreciation	7	29 267	27 730	30 875	28 000	28 000	28 000	14 644	32 000	33 920
Repairs and Maintenance by Asset C	3	**(1 682)**	**12 434**	**16 760**	**22 230**	**22 230**	**22 230**	**24 203**	**27 178**	**28 020**
Roads Infrastructure		(3 569)	3 895	6 700	9 520	9 520	9 520	8 220	7 920	7 510
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		1 625	5 614	5 905	7 200	7 200	7 200	9 400	11 600	12 354
Solid Waste Infrastructure		72	95	55	360	360	360	383	408	435
Infrastructure		***(1 872)***	***9 604***	***12 660***	***17 080***	***17 080***	***17 080***	***18 003***	***19 928***	***20 299***
Community Facilities		190	2 830	4 100	5 150	5 150	5 150	6 200	7 250	7 721
Community Assets		***190***	***2 830***	***4 100***	***5 150***	***5 150***	***5 150***	***6 200***	***7 250***	***7 721***
TOTAL EXPENDITURE OTHER ITEMS		**27 585**	**40 164**	**47 635**	**50 230**	**50 230**	**50 230**	**38 847**	**59 178**	**61 940**
Renewal and upgrading of Existing Assets as % of t		*32.7%*	*45.6%*	*28.1%*	*21.0%*	*26.2%*	*26.2%*	*13.9%*	*7.0%*	*2.2%*
Renewal and upgrading of Existing Assets as % of d		*13.2%*	*88.8%*	*56.4%*	*60.7%*	*80.7%*	*80.7%*	*81.8%*	*18.7%*	*5.5%*
R&M as a % of PPE		*-0.3%*	*2.3%*	*2.8%*	*3.9%*	*3.9%*	*3.9%*	*3.8%*	*4.0%*	*3.9%*
Renewal and upgrading and R&M as a % of PPE		*0.0%*	*5.0%*	*4.0%*	*5.0%*	*6.0%*	*6.0%*	*4.0%*	*4.0%*	*3.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The table shows that all the capital allocations are for new assets.
3. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 10% of PPE or 8.6% of the total value of PPE of R816. million for the 2017/18 financial year.
4. As noted in the previous reporting financial year, the Council has noted with concern the current level of allocation for renewal of assets and maintenance. For this reason, the Technical Services Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance.

Table 25 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		1 150	14 073	14 073	14 073	14 073	14 073	14 073	14 073	14 073
Piped water inside yard (but not in dwelling)		1 150	855	855	855	855	855	855	855	855
Using public tap (at least min.service level)	2	1 150	3 136	3 136	3 136	3 136	3 136	3 136	3 136	3 136
Other water supply (at least min.service level)	4	1 150	–	4	4	4	4	4	4	4
Minimum Service Level and Above sub-total		4 600	18 064	18 068	18 068	18 068	18 068	18 068	18 068	18 068
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	13 468	13 468	11 468	9 868	9 868	9 868	8 268	6 668	5 268
No water supply		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		13 468	13 468	11 468	9 868	9 868	9 868	8 268	6 668	5 268
Total number of households	5	**18 068**	**31 532**	**29 536**	**27 936**	**27 936**	**27 936**	**26 336**	**24 736**	**23 336**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		300	14 928	14 928	14 928	14 928	14 928	14 928	14 928	14 928
Flush toilet (with septic tank)		300	855	855	855	855	855	855	855	855
Chemical toilet		300	20	24	–	–	–	–	–	–
Pit toilet (ventilated)		300	862	962	951	951	951	951	951	951
Other toilet provisions (> min.service level)		300	1 399	1 299	1 334	1 334	1 334	1 334	1 334	1 334
Minimum Service Level and Above sub-total		1 500	18 064	18 068	18 068	18 068	18 068	18 068	18 068	18 068
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		16 568	16 568	14 068	12 068	12 068	12 068	11 000	10 200	9 800
No toilet provisions		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		16 568	16 568	14 068	12 068	12 068	12 068	11 000	10 200	9 800
Total number of households	5	**18 068**	**34 632**	**32 136**	**30 136**	**30 136**	**30 136**	**29 068**	**28 268**	**27 868**
Energy:										
Electricity (at least min.service level)		577	577	577	577	577	577	577	577	577
Electricity - prepaid (min.service level)		14 556	14 556	14 556	14 766	14 766	14 766	15 126	15 426	15 845
Minimum Service Level and Above sub-total		15 133	15 133	15 133	15 343	15 343	15 343	15 703	16 003	16 422
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		2 935	2 935	2 935	2 725	2 725	2 725	2 365	2 065	2 065
Below Minimum Service Level sub-total		2 935	2 935	2 935	2 725	2 725	2 725	2 365	2 065	2 065
Total number of households	5	**18 068**	**18 068**	**18 068**	**18 068**	**18 068**	**18 068**	**18 068**	**18 068**	**18 487**
Refuse:										
Removed at least once a week		9 140	9 500	9 600	16 300	16 300	16 300	16 450	16 600	16 600
Minimum Service Level and Above sub-total		9 140	9 500	9 600	16 300	16 300	16 300	16 450	16 600	16 600
Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
Using communal refuse dump		2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350
Using own refuse dump		–	–	–	–	–	–	–	–	–
Other rubbish disposal		–	–	–	–	–	–	–	–	–
No rubbish disposal		1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
Below Minimum Service Level sub-total		3 445	3 445	3 445	3 445	3 445	3 445	3 445	3 445	3 445
Total number of households	5	**12 585**	**12 945**	**13 045**	**19 745**	**19 745**	**19 745**	**19 895**	**20 045**	**20 045**
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free minimum level service)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed at least once a week)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service to **indigent households**)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed once a week **for indigent households**)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)										
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**		19 093	25 838	26 991	29 726	39 726	39 726	31 416	33 549	35 827
Water **(in excess of 6 kilolitres per indigent household per month)**		2 074	3 528	3 208	5 884	5 884	5 884	6 627	7 077	7 557
Sanitation **(in excess of free sanitation service to indigent households)**		1 407	2 116	3 932	8 448	8 448	8 448	9 459	10 102	10 788
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**		17	(4)	17	4 865	4 865	4 865	11 806	12 479	13 178
Refuse **(in excess of one removal a week for indigent households)**		1 501	2 254	1 888	3 552	3 552	3 552	3 644	3 892	4 156
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of subsidised services provided		**24 092**	**33 731**	**36 036**	**52 475**	**62 475**	**62 475**	**62 952**	**67 098**	**71 506**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

2.1.1 Overview of the annual IDP/ budget process

In terms of the MFMA (Act no 56 of 2003), 16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year

This Medium-Term Revenue and Expenditure Framework (MTREF) Report for the 2017/2018 to 2019/2020 financial years deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposals to ensure that Bela-Bela Local Municipality renders services to its local community in a sustainable manner.

The MTREF Report starts with a discussion of the legislative requirements to which the Municipality must adhere to, the MFMA budget circulars with directives issued by National Treasury, the budget related policies of Council and budget assumptions for next three financial years based on these documents and assumed economic trends. A high-level summary of the operating and capital budget followed with appropriate recommendations. Supporting information in the form of appendices, annexures and tables will form part of this report.

Circular 86 was issued on the 8th of March 2017 which deal with the 2017/18 budget and highlight critical areas which the Municipality must take into consideration. One of the main consideration to be taken into consideration was to inform Municipality about the importance of the mSCOA which is schedule to take in effect on the 1st of July 2017.

Section 53 of the MFMA further requires the Mayor of the Municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

2.1.2. Budget Process Overview

The preparation of a reviewed IDP/ Budget is based on a Process Plan, which Bela-Bela Local Municipality adopted in terms of the MFMA. The Plan establishes a firm foundation for the alignment of the IDP and budget preparation processes. This plan included the following: -

- a programme specifying the time frames for the different planning steps;
- appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP finalizing process;
- an indication of the organisational arrangements for the IDP process;
- binding plans and planning requirements, i.e. policy and legislation;

The objectives of the Process Plan are as follows:

- to guide decision making in respect of service delivery and public sector investment;
- to inform budgets and Service delivery programs of various government departments and service agencies; and
- to coordinate the activities of various service delivery agencies within Bela-Bela Local Municipality.

There were no deviations from the key dates set out on circular 86.

2.2. IDP and Service Delivery and Budget Implementation Plan

Municipality IDP for 2016/17 was the last IDP for the council who came into power after May 2011 elections. The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Revision of the IDP, and
- The review of the performance management and monitoring processes.

The new IDP for recently sworn in council has been considered for deliberation with all other stakeholders, such as community, provincial treasury and national treasury.

With the compilation of the 2017/2018 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/2017 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.2.1. Service Level Standards

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of each tabled MTREF budget documentation. The services level standard will be able to monitor the level in which service delivery is achieved by each department.
Service level standard details the expectation which each department need to achieve in order to successfully attain service delivery to the community.

Bela-Bela Local Municipal will continue to implement service level standard in the 2017/2018 budget year. Bellow table summarise only key services delivery standard (For a full services delivery standard can be provided on a separate document)

Table 26: Service level standards

Standard	Key Service level
Solid Waste Removal	Street Cleaning Frequency in CBD (Once a week)
	How soon are public areas cleaned after events (24hours)
	Clearing of illegal dumping (24hours)
Water Service	Water Quality rating (Blue Drop 71%)
	Is free water available to all? (All/only to the indigent consumers)
	Frequency of meter reading? (Once per month,)
Electricity Service	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)
	How long does it take to replace faulty meters? (seven days)
	How effective is the action plan in curbing line losses? (Good/Bad)
Sewerage Service	How long does it take to restore sewerage breakages on average
	Severe overflow? (hours)
	Sewer blocked pipes: Large pipes? (Hours)
	Sewer blocked pipes: Small pipes? (Hours)
	Spillage clean-up? (hours)
	Replacement of manhole covers? (Hours)
Road Infrastructure Services	Time taken to repair a single pothole on a major road? (Hours)
Property valuations	How long does it take on average from completion to the first account being issued? (one month/three months or longer)
Financial Management	Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease)
	How long does it take to finalise a tender after closing date (5 working days)
Administration	Reaction time on enquiries and requests?
	Time to respond to a verbal customer enquiry or request? (immediately / one working days)
	Time to respond to a written customer enquiry or request? (7 working days)
	Time to resolve a customer enquiry or request? (2 working days)
	What percentage of calls are not answered? (5%)
Community safety and licensing services	How long does it take to register a vehicle? (minutes)
Economic development	How many economic development projects does the municipality drive?
Other Service delivery and communication	Does the municipality have training or information sessions to inform the community? (Yes)

2.3 Community Consultation

The draft 2017/2018 MTREF as tabled before Council on 31 March 2017 for community consultation has been published on the municipality's website, and hard copies have been made available at municipal offices and municipal library. Electronic and hard copies will be sent to National Treasury and the Limpopo Provincial Treasury.

The Municipality held public participation sessions with the communities in nine (9) wards. A budget summary document, is issued and discussed at these sessions. Comments were also received from the local communities. The applicable dates and venues were published in all the local newspapers. The respond from the Municipality to all input are included on the budget for council to consider.

2.4 Overview of alignment of annual budget with IDP

Bellow table provide overview alignment of the 2017/18 budget to IDP.

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by the municipality correlate with National Development Plan as well as National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent manner to improve the quality of life for all the people living in that area. Applied to the Bela-Bela Local municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the final IDP’s five strategic objectives for the 2017/2018 MTREF and further planning refinements that have directly inform this plan.

Table 27: IDP Strategic Objectives

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
PREPARATION PHASE	Alignment with WDM framework IDP, Budget and PMS process plan	WDM	• Approved 2017/2018 IDP, Budget and PMS process plan	July 2016
	MECs Assessment of 2015- 2016 IDP	IDP Manager /Municipal Manager		July 2014 – August 2015
	Council Sitting	Mayor/ Municipal Manager		July 2016
	Develop Draft 2017/2018 IDP, Budget and PMS process plan	IDP Manager		August 2016
	Tabling of 2017/2018 IDP, Budget and PMS process Plan to Planning Sub-committee	IDP Manager		August 2016
	1st Waterberg District Forum Representative Forum	IDP Manager		August 2016
	Tabling Draft 2017/2018 IDP, Budget and PMS process plan for EC /Council approval	Mayor & Municipal Manager		August 2016
	Publication of IDP 2017/2018 IDP, Budget and PMS Process Plan	IDP Manager		August 2016
	Submission of 2015/ 2016 Annual Performance Report to the Auditor – General and MEC	IDP Manager /Municipal Manager		August 2016
	First IDP Steering Committee Meeting	IDP Manager /Municipal Manager		September 2016
	First IDP Representative Forum	Municipal Manager/ Mayor		September 2016

ANALYSIS PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
	Identification of Gaps, Stakeholder Registration, and Information Gathering.	IDP Manager	• Priority issues/problems • Understanding of causes of priority issues/problems	September 2016
	Community Based Planning (CBP) Ward Consultative Meetings	IDP Manager		September 2016
	1st Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		September 2016
	Community Consultation Forums on Tariffs, Indigent Credit, Credit Control, and Free Basic Electricity Revisit Community Needs, Consult, and Assess Community Based Planning (CBP) Wards Consultative Meetings	Budget & Treasury and IDP Manager		October 2016
	Submission of Draft Annual Report to the Mayor	IDP Manager / Municipal Manage		October 2016
	Council Sitting	Mayor & Municipal Manage		October 2016
	Second 2017/2018 IDP Steering Committee Meeting	IDP Manager/ Municipal Manage		November 2016
	Second 2017/2018 IDP Representatives Forum	Mayor/ Municipal Manager		November 2016
	Draft 2017/2018 IDP Analysis Phase Completed	IDP Manager		November 2016
	2nd WDM Representative Forum	WDM		November 2016

	2nd Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		November 2016
	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager		Week 1 December 2016
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 December 2016
STRATEGIES PHASE			• Vision(For Municipality) • Objectives(For each priority issue) • Strategic options and choice of strategy • Tentative financial framework for projects • Identification of projects	
	WDM Strategic Planning Session	WDM		January 2017
	Review Financial Strategies, Adjustment Budget & SDBIP and Review of Organizational Structure	All Departments/Municipal Manager		January 2017
	Draft 2017/2018 Mid – Year Report and Draft 2015/ 2016 Annual Report	All Departments/Municipal Manager		January 2017
	3rd Provincial IDP Consultative Form	COGHSTA, OTP and WDM		February 2017
	Strategic Planning Session	IDP Manager /Municipal Manager		February 2017
	Third IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		March 2017
	Third IDP Representative Forum	Mayor & Municipal Manager		March 2017
PROJECTS PHASE	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	• Project output, targets, and location	Week 2 March 2017
	3RD WDM IDP Representatives Forum	WDM		March 2017

	Submission of 2015/ 2016 Annual Report to council for Approval	IDP Manager & Municipal Manager	• Project related activities and time schedule • Cost and budget estimates • Performance Indicators	March 2017
	Tabling of Draft IDP/Budget and SDBIP for Council Approval	Mayor & Municipal Manager		Week 3 March 2016
	Submission of Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		March 2017
INTEGRATION PHASE	Alignment with Waterberg District Municipality, Provincial, and National Programs	COGHSTA, OTP and WDM	• 5 Year Financial Plan • 5 Year Capital Investment Plan • Institutional Plan • Reference to Sector Plans • Integrated Sectoral Plans	April 2017
	2017/2018 IDP - Budget Mayoral Road show	All Departments/Municipal Manager		April 2017
	4th IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		May 2017
	4th IDP Representative forum	Mayor & Municipal Manager		May 2017
	4TH WDM Representative Forum	WDM		May 2017
	Screening of Draft IDP Projects Integration of Sector Plans and Institutional Programs	IDP Manager & All Departments		May 2017

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

2.5 Free Basic Services: basic social services package for households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Indigent households receive free basic water of 6kl and 50 kwh of electricity per month. For the 2017/18 financial year 5,000 registered indigents have been provided for in the budget. The threshold for qualification as an indigent is the pension of two people in a household, i.e. R3, 200 per month. Indigent households must approach the municipality and provide the required documentation. The total cost of free basic services amounts to R62.9 million for the 2017/18 financial.

2.6 Providing clean water and managing waste water

Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and Magalies Water is the water services provider.

Approximately 50% of the Municipality's bulk water needs are provided by Magalies Water in the form of purified water. The remaining 50% is generated from the Municipality's own water sources, such as boreholes and the dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Bela-Bela Local Municipality has in past achieved an acceptable score of 71.07% during Blue Drop Certification Programme for its only Water Treatment Plant in the 2013/14 financial year. The Municipality currently wait for result of the recent Blue or Green Drop.

The following is briefly the main challenges facing the Municipality in this regard:

- Shortage of skilled personnel makes proper operations and maintenance difficult; and
- Aging infrastructure.

2.7 Measurable performance objectives and indicators

The table below shows the key measurable financial indicators of the Bela-Bela Local Municipality. With time permitting and availability of information, these indicators will be benchmarked against the indicators of other municipalities of similar type, size and functions.

Table 28 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	5.4%	0.9%	2.8%	0.7%	0.7%	8.5%	14.4%	1.0%	1.0%	0.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	6.7%	1.4%	4.7%	0.9%	0.9%	10.5%	17.5%	1.3%	1.2%	1.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	22.0%	197.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.9	0.6	0.4	1.0	0.5	2.4	3.3	1.3	2.2	3.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.9	0.6	(0.2)	(1.0)	(0.5)	(4.0)	(3.1)	(0.1)	1.0	2.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.8	0.2	0.2	0.3	0.1	–	–	0.6	1.5	2.4
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		98.7%	76.1%	107.5%	95.0%	94.7%	94.7%	125.8%	95.0%	95.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		98.0%	74.5%	107.1%	95.0%	94.7%	94.7%	169.6%	95.0%	95.0%	95.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.4%	12.7%	9.3%	7.7%	8.0%	8.0%	18.7%	9.0%	9.6%	9.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	17.1%	53.3%	60.0%	85.0%	85.0%	85.0%	85.0%	90.0%	90.0%	90.0%
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))	100.0%	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		39.3%	488.6%	158.1%	425.0%	66.0%	0.0%	0.0%	113.2%	46.2%	29.7%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	11036148	183460.03	17811654	17277304	17277304	17277304	17277304	16758985	16256215	15989125
	Total Cost of Losses (Rand '000)	6 694	22 835	22 170	21 505	21 505	21 505	21 505	20 860	20 234	19 884
	% Volume (units purchased and generated less units sold)/units purchased and generated	0	0	0	0	0	0	0	0	0	0
Water Distribution Losses (2)	Total Volume Losses (kℓ)	492	741	662	592	592	592	592	529	473	411
	Total Cost of Losses (Rand '000)	1184277	3808626.92	3404664.04	3042880	3042880	3042880	3042880	2720334.72	2430839.64	2430839.64
	% Volume (units purchased and generated less units sold)/units purchased and generated	0	0	0	0	0	0	0	0	0	0
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.6%	35.8%	37.4%	27.7%	32.0%	32.0%	34.3%	30.3%	30.2%	30.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	27.6%	38.2%	39.7%	29.5%	33.8%	33.8%		32.0%	32.0%	32.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	-0.6%	4.9%	6.0%	5.9%	6.0%	6.0%		6.1%	6.5%	6.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.5%	13.8%	13.5%	8.1%	8.3%	8.3%	6.8%	9.1%	9.0%	9.0%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	53.2	20.2	55.3	37.0	37.0	37.0	14.4	25.7	33.0	34.8
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	22.2%	18.6%	13.6%	10.9%	11.5%	11.5%	28.3%	13.7%	14.6%	14.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.0	0.6	2.7	0.3	1.8	2.0	0.1	1.3	3.3	5.2

2.8 Overview of budget related-policies

In Table 29 below, the relevant budget related policies are set out.

Table 27: Policies

No	Policy Description	Date Reviewed/ Developed	Status	Comment
1	Credit Control and Debt Collection Policy	Feb 2017	In use	With effect from 01/07/2017
2	Property Rates Policy	Feb 2017	In use	With effect from 01/07/2017
3	Assets Management Policy	Feb 2017	In use	With effect from 01/07/2017
4	Indigent Policy	Feb 2017	In use	With effect from 01/07/2017
5	Borrowing framework policy	Feb 2017	In use	With effect from 01/07/2017
6	Budget Implementation and Monitoring Policy	Feb 2017	In use	With effect from 01/07/2017
7	Cash Management and Investment Policy	Feb 2017	In use	With effect from 01/07/2017
8	Funding Reserves Policy	Feb 2017	In use	With effect from 01/07/2017
9	Prioritisation Model for Capital Assets Investment	Feb 2017	In use	With effect from 01/07/2017
10	Policy on Infrastructure Investment and Capital Projects	Feb 2017	In use	With effect from 01/07/2017
11	Policy on Long Term Financial Planning	Feb 2017	In use	With effect from 01/07/2017
12	Policy on Provision for doubtful debts and writing off of irrecoverable debts	Feb 2017	In use	With effect from 01/07/2017
13	Principles and Policy on Tariffs	Feb 2017	In use	With effect from 01/07/2017
14	Petty Cash Policy	Feb 2017	In use	With effect from 01/07/2017
15	Supply Chain Management Policy	Feb 2017	In use	With effect from 01/07/2017

<u>Amendments in Supply Chain management policy</u>

- The main amendments to the Supply Chain Management Policy include the alignment with the Supply Chain Management regulations.
- Policy have been reviewed to be in line with the National Strategy of centralising the supplier database to the office of the chief procurement officer.
- The revised standard and model infrastructure procurement measures were also added

<u>Tariff Policy</u>

The main changes on the policy includes the re-introduction of **<u>Electricity</u>** Inclining Block Tariff and the removal of the fixed components on domestic tariffs (Basic and capacity)

Indigent's policy

- The indigent household threshold is increased to the double monthly government pension rate. There is a new requirement that all indigent customers should use electricity meters with capacity of 30 Amp or less (Capacity may be temporarily increased on special circumstances upon the approval of the Technical Services Manager).

- New indigent's registration period will now reopen for one week at the beginning of each quarter of the Municipality's financial year.

Principles and policy on writing off of doubtful and irrecoverable debts

- All registered and approved indigents' outstanding accounts will be written off on 01 July 2017.
- All debtors whose accounts are 60 days or older will be allowed to get 50% discount provided that they pay the other 50% balance immediately.

2.9 Overview of budget assumptions

Table below provide the budget assumptions issues which depict the next two years assumed percentage increases.

Council's wage bill, bulk purchases and capital charges constitutes majority on our operating budget expenditure. Council have very little control over them since the cost of living salary increases are determined at a higher authority (Bargaining Council level); bulk electricity purchases by NERSA; bulk water purchase by Magalies; and, interest on loans to be set by borrowing authorities (Financial Institutions).

The cost of living and notch increases on the wage bill amounted to 6.4% and around 5% over the last two financial years.

The MFMA Budget Circular 86, dated 08th March 2017, advises of the following CPI increases:

Table 30: CPI Inflation

Fiscal year	2017/18	2018/19	2019/20
CPI Inflation	6.4%	5.7%	5.6%

This means that any increases above the 6.4% (inflation target) should be motivated in the budget, considering cost reflective tariffs, affordability and indigents.

The estimated operating revenue stream increases are projected to fund the operating budget expenditure. It must be emphasised that to balance the operating budget, senior management

had to cut material amount worth of operating expenditure requests that exceeded the affordable and sustainable revenue streams.

The revenue streams increases/decreases for 2017/2018 compared to adjusted budget are as follows:

Table 31: 2017/18 revenue increases vs 2016/17 adjusted budget

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	53 069	54 229	46 337	94 648	79 648	79 648	41 818	80 199	84 829	91 775
Service charges - electricity revenue	2	84 138	84 980	103 327	106 469	106 469	106 469	68 550	124 567	131 667	139 040
Service charges - water revenue	2	18 780	17 523	22 625	35 584	35 584	35 584	15 982	26 979	28 811	30 768
Service charges - sanitation revenue	2	6 816	6 366	9 465	11 127	11 127	11 127	10 176	16 143	17 239	18 409
Service charges - refuse revenue	2	6 030	5 469	6 172	11 265	11 265	11 265	4 207	9 969	10 510	11 087
Service charges - other		1 407	1 000	447	8 200	8 200	8 200	166	1 123	1 188	1 255
Rental of facilities and equipment		998	1 114	1 107	1 550	1 550	1 550	696	1 813	1 984	2 172
Interest earned - external investments		782	2 268	940	300	1 300	1 300	1 428	1 510	3 011	1 265
Interest earned - outstanding debtors		3 891	6 049	5 295	3 500	7 000	7 000	5 075	9 850	9 358	8 890
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		29 904	4 451	3 029	13 000	13 000	13 000	6 945	25 000	25 000	25 000
Licences and permits		9 123	2 742	3 201	15 000	15 000	15 000	7 333	16 500	17 441	18 417
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		63 582	59 137	67 205	71 118	71 118	71 118	51 308	77 639	84 692	91 213
Other revenue	2	5 129	5 915	8 059	6 223	6 223	6 223	1 009	4 059	4 490	4 831
Gains on disposal of PPE		–	–	–	–	50	50	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		**283 648**	**251 243**	**277 207**	**377 984**	**367 534**	**367 534**	**214 693**	**395 350**	**420 218**	**444 121**

Council is sensitive to the affordability and sustainability of the tariffs to be imposed. We carefully monitor the payment and collection rates and are thankful that the customer base of Bela-Bela Local Municipality pays more than 85% of their billed accounts. Through the financial support and incentives envisaged through our new budget related policies developed we are hopeful that the payment rate will increase to over 95% over the next 12 months.

2.9.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Bela-Bela's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee and Councillor related costs comprise 32% of total operating expenditure in the 2017/2018 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.9.2. Employee cost

Table 32 below depicts the break-down of employee related costs.

Table 32 MBRR Table SA22 - Summary of Employees and Councillors remuneration

Total salary cost for all municipality employee excluding councillor is budgeted at R119.7 million from R117.5 million of the 2016/2017 adjusted budget. Council salaries for 2017/18 budget year is increased by 7% from the previous financial year.

Section 17(3)(k) of the MFMA determines that as part of the budget resolutions the proposed cost to the municipality for the budget year of the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer and senior manager reporting to the Municipal Manager must be disclosed.

Table 33: Remuneration of political and administrative leadership

NO.	Position	Amount
1	Mayor	803 493
2	Speaker	642 795
3	Chief Whip	602 621
4	EC Member (Full time)	602 621
5	EC Member (Part time)	333 018
5	S79 Chairperson	323 242
6	Other ordinary councilor	251 877
7	Municipal Manager	1 280 971
8	Other S56 Managers	1 047 089*

* Salaries for the managers appointed before 01 July 2014 have been budgeted according to the individual negotiated rates.

2.9.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality did not budget to raise any long-term loans due to the squeezed cash position and low payment levels.

2.9.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (90%) of annual billings. Cash flow is assumed to be 95% of billings excluding collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.9.5 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.9.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities, as articulated by the President of the country in his State of the Nation Address (SoNA) early last year, form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. However, it is also important to take cognisance of the fact that some of these priorities are not directly linked to the powers and functions assigned to the municipality. Nevertheless, efforts will be made to contribute to these priorities.

2.9.7. Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (application > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 34 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	33 622	12 179	60 248	6 588	42 446	43 062	1 388	33 943	88 517	146 716
Other current investments > 90 days		(2 970)	478	(28 866)	3 412	(32 446)	(43 062)	(1 388)	–	–	–
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**30 653**	**12 656**	**31 382**	**10 000**	**10 000**	**–**	**–**	**33 943**	**88 517**	**146 716**
Application of cash and investments											
Unspent conditional transfers		293	0	34 434	–	34 434	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	(15 788)	33 594	69 111	360	774	(27 226)	(68 075)	5 253	3 339	3 228
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**(15 495)**	**33 594**	**103 545**	**360**	**35 208**	**(27 226)**	**(68 075)**	**5 253**	**3 339**	**3 228**
Surplus(shortfall)		**46 148**	**(20 938)**	**(72 163)**	**9 640**	**(25 208)**	**27 226**	**68 075**	**28 690**	**85 177**	**143 488**

The following breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is, obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial yea, unless the funds are committed to identifiable programmes and/ or projects;
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash

backing policy. These include the rehabilitation of landfill sites. The municipality has indicated its intention to build up cash-backed reserve in terms of its reserve policy; and

- It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.9.8 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 35 MBRR Table SA10 – Funding compliance measurement

Description	MFMA section	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	33 622	12 179	60 248	6 588	42 446	43 062	1 388	33 943	88 517	146 716
Cash + investments at the yr end less applications - R'000	18(1)b	2	46 148	(20 938)	(72 163)	9 640	(25 208)	27 226	68 075	28 690	85 177	143 488
Cash year end/monthly employee/supplier payments	18(1)b	3	2.0	0.6	2.7	0.3	1.8	2.0	0.1	1.3	3.3	5.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	28 022	(40 914)	(37 623)	82 402	81 553	81 553	16 153	88 000	97 576	119 069
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6.4%)	5.1%	35.9%	(11.6%)	(6.0%)	(50.2%)	(3.3%)	(0.1%)	0.6%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	76.4%	81.4%	101.1%	94.5%	93.1%	93.1%	169.6%	92.8%	93.1%	93.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	15.0%	17.9%	15.5%	5.6%	5.9%	5.9%	1.3%	5.8%	5.6%	5.4%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%	99.7%	99.5%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	22.0%	197.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(16.2%)	(18.8%)	13.2%	0.0%	0.0%	37.2%	22.3%	13.0%	7.1%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	(0.3%)	2.3%	2.8%	3.9%	3.9%	3.9%	4.2%	3.8%	4.0%	3.9%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Cash/cash equivalent position

The municipality's forecast position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

Cash plus investment less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is on Table 33 above. The reconciliation is intended to be relatively simple methodology for understanding the budgeted amount of cash and investments

available with any planned or required applications to be made. This has been extensively discussed above.

Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. For 2017/2018 financial year the municipality has not budgeted for any borrowing to finance capital expenditure.

Transfers/grants revenue as a percentage of Government transfers/grants Available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted to spend for all transfers within the financial year.

Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a deficit trend in line with the municipality's policy of settling debtor's accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. The municipality has budgeted to spend 7.4% of the operating budget on repairs and maintenance for the 2017/2018 financial year.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

In summary, the funding compliance measurement above shows that serious attempts were made to make the budget funded. This is in line with the recommendations made by the National and Provincial Treasuries.

2.9.9. Allocations and grant made by the municipality

The municipality has not budgeted to make any allocations or grants to individuals or external parties.

2.11 Expenditure on allocation and grant programme

The table below shows the projected expenditure against the grants receipts.

Table 36 MBRR Table SA19 – Expenditure on transfer and grant programmes

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		63 389	57 866	67 041	71 118	71 118	71 118	77 639	83 692	90 213
Local Government Equitable Share		59 949	54 332	63 428	68 411	68 411	68 411	74 939	81 992	88 513
Finance Management		1 550	1 600	1 600	1 625	1 625	1 625	1 700	1 700	1 700
Municipal Systems Improvement		890	934	930	–	–	–			
EPWP Incentive		1 000	1 000	1 083	1 082	1 082	1 082	1 000		
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	63 389	57 866	67 041	71 118	71 118	71 118	77 639	83 692	90 213
Capital Transfers and Grants										
National Government:		16 413	15 836	34 971	80 571	80 571	80 571	86 304	87 625	109 019
MIG		16 413	15 836	22 971	22 571	22 571	22 571	26 304	27 625	29 019
INEP				2 000	30 000	30 000	30 000	25 000	20 000	35 000
MWIG				10 000	28 000	28 000	28 000	35 000	40 000	45 000
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Capital Transfers and Grants	5	16 413	15 836	34 971	80 571	80 571	80 571	86 304	87 625	109 019
TOTAL RECEIPTS OF TRANSFERS & GRANTS		79 802	73 702	102 012	151 689	151 689	151 689	163 943	171 317	199 232

2.12 Annual budget and SDBIP – Internal departments

The municipality provides major infrastructure projects internally, though some technical work is contracted to professional service providers such as designs. The key service delivery departments are Technical Services and Social and Community Services. The Planning and IDP Department also does some work related to job creation and Local Economic Development, including Town Planning and establishment.

Each of the above departments is headed by a Senior Manager directly accountable to the Municipal Manager. Majority of the capital budget is allocated to Technical Services followed by Social and Community Services department.

The Senior Managers submit their departmental Service Delivery and Budget Implementation Plans to the Municipal Manager and then compiles the municipal SDBIP which is submitted to the Mayor and tabled with the budget. These SDBIP form the basis of performance agreements.

2.13 Contracts having future budgetary implications

The municipality does have contracts that go beyond the three years.

2.14 Monthly target for revenue, expenditure and cash flow

The following tables depict the monthly target for revenue, expenditure and cash flow.

Table 37 MBRR Table SA25 – Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source																
Property rates		6 954	6 945	6 223	6 252	7 362	7 665	6 223	6 656	6 585	6 426	6 457	6 452	80 199	84 829	91 775
Service charges - electricity revenue		11 122	10 667	10 135	9 396	10 161	10 437	10 397	10 973	10 397	10 345	10 345	10 193	124 567	131 667	139 040
Service charges - water revenue		1 025	125	2 469	2 118	2 304	2 125	2 125	4 406	2 306	2 104	3 506	2 365	26 979	28 811	30 768
Service charges - sanitation revenue		1 197	1 102	1 222	1 061	1 020	2 103	1 013	1 255	2 133	1 253	1 021	1 764	16 143	17 239	18 409
Service charges - refuse revenue		728	607	698	698	758	1 124	803	803	903	803	958	1 085	9 969	10 510	11 087
Service charges - other		99	85	79	88	99	99	102	102	102	98	98	72	1 123	1 188	1 255
Rental of facilities and equipment		88	85	85	89	93	99	93	99	89	91	89	813	1 813	1 984	2 172
Interest earned - external investments		20	21	23	24	25	27	29	30	32	30	32	1 217	1 510	3 011	1 265
Interest earned - outstanding debtors		1 258	873	790	707	1 126	1 345	566	688	611	641	502	742	9 850	9 358	8 890
Dividends received		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		2 025	2 027	2 029	2 031	2 033	2 035	2 037	2 039	2 042	2 044	2 046	2 612	25 000	25 000	25 000
Licences and permits		1 002	1 092	1 190	1 298	1 414	1 542	1 680	1 832	1 022	1 114	982	2 331	16 500	17 441	18 417
Agency services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		30 547	6 297	–	–	20 415	–	4 762	403	15 215	–	–	–	77 639	84 692	91 213
Other revenue		354	363	374	384	295	306	317	329	341	353	366	277	4 059	4 490	4 831
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and cont		**56 419**	**30 290**	**25 316**	**24 145**	**47 105**	**28 907**	**30 147**	**29 615**	**41 778**	**25 303**	**26 401**	**29 924**	**395 350**	**420 218**	**444 121**
Expenditure By Type																
Employee related costs		9 858	9 857	9 587	9 859	9 858	9 875	9 897	9 900	9 989	9 989	10 988	10 096	119 752	126 937	134 554
Remuneration of councillors		382	405	429	455	482	511	542	574	609	645	684	1 228	6 947	7 364	7 806
Debt impairment		1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	15 000	15 235	15 755
Depreciation & asset impairment		2 333	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	8 833	32 000	33 920	35 955
Finance charges		220	220	220	220	220	220	220	220	220	220	220	1 575	4 000	4 000	4 000
Bulk purchases		8 742	8 842	7 742	7 742	6 646	6 987	6 641	7 785	8 742	8 742	8 742	7 240	94 595	99 987	105 586
Other materials		2 484	2 643	2 643	2 658	2 053	2 015	1 985	1 658	2 643	2 643	2 643	4 535	30 603	26 766	28 759
Contracted services		1 769	1 773	1 777	1 782	1 786	1 791	1 795	1 800	1 804	1 809	1 813	6 489	26 188	27 721	29 350
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure		5 200	5 200	7 850	5 200	1 252	5 200	5 200	5 200	5 689	8 698	5 200	4 581	64 468	68 236	72 199
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	100	–	–	100	102	106
Total Expenditure		**32 239**	**32 273**	**33 582**	**31 250**	**25 631**	**29 933**	**29 614**	**30 470**	**33 030**	**36 180**	**33 623**	**45 828**	**393 653**	**410 268**	**434 071**
Surplus/(Deficit)		**24 180**	**(1 983)**	**(8 266)**	**(7 104)**	**21 474**	**(1 027)**	**532**	**(855)**	**8 748**	**(10 877)**	**(7 222)**	**(15 905)**	**1 696**	**9 951**	**10 050**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		16 924	6 502	11 575	6 916	13 296	2 254	2 223	1 975	8 895	5 512	4 452	5 779	86 304	87 625	109 019
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		**41 104**	**4 519**	**3 310**	**(188)**	**34 770**	**1 227**	**2 755**	**1 120**	**17 644**	**(5 365)**	**(2 770)**	**(10 126)**	**88 000**	**97 576**	**119 069**
Taxation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Attributable to minorities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit)	1	**41 104**	**4 519**	**3 310**	**(188)**	**34 770**	**1 227**	**2 755**	**1 120**	**17 644**	**(5 365)**	**(2 770)**	**(10 126)**	**88 000**	**97 576**	**119 069**

Table 38 MBRR Table SA30 – Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Receipts By Source													1		
Property rates	4 954	4 945	4 133	5 560	6 731	6 740	7 177	8 195	8 214	8 232	7 260	4 047	76 189	80 588	87 186
Service charges - electricity revenue	11 122	11 667	10 135	8 396	8 161	8 437	9 397	8 973	8 397	9 345	11 345	12 965	118 338	125 084	132 088
Service charges - water revenue	906	1 580	2 469	2 118	2 304	1 504	3 070	2 406	2 306	2 104	2 506	2 356	25 630	27 371	29 229
Service charges - sanitation revenue	1 697	1 802	1 922	1 697	697	697	697	697	697	997	1 897	1 836	15 336	16 377	17 489
Service charges - refuse revenue	528	607	698	803	924	924	924	924	924	924	924	368	9 470	9 984	10 533
Service charges - other	99	80	79	88	99	81	88	80	88	81	78	126	1 067	1 128	1 192
Rental of facilities and equipment	99	104	109	115	120	126	133	139	146	154	161	406	1 813	1 984	2 172
Interest earned - external investments	20	21	23	24	25	27	29	30	32	30	32	1 217	1 510	3 011	1 265
Interest earned - outstanding debtors	258	273	290	307	326	345	366	388	411	241	102	6 542	9 850	9 358	8 890
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	597	600	630	661	695	729	766	804	844	886	931	16 856	25 000	25 000	25 000
Licences and permits	1 002	1 092	1 190	1 298	1 414	1 542	1 680	1 832	1 022	1 114	982	2 331	16 500	17 441	18 417
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational	30 547	1 297	–	–	20 415	–	–	403	24 977	–	–	–	77 639	84 692	91 213
Other revenue	154	163	174	184	195	206	517	529	541	553	466	377	4 059	4 490	4 831
Cash Receipts by Source	**51 983**	**24 232**	**21 852**	**21 252**	**42 107**	**21 359**	**24 844**	**25 400**	**48 599**	**24 663**	**26 684**	**49 427**	**382 401**	**406 506**	**429 504**
Other Cash Flows by Source															
Transfer receipts - capital	32 000	–	–	–	35 000	–	12 000	–	7 304	–	–	–	86 304	87 625	109 019
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–	–	–	100	–	100	107	113
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–	(5 116)	–	(5 116)	3 844	2 017
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	**83 983**	**24 232**	**21 852**	**21 252**	**77 107**	**21 359**	**36 844**	**25 400**	**55 903**	**24 663**	**21 667**	**49 427**	**463 688**	**498 082**	**540 654**
Cash Payments by Type															
Employee related costs	8 758	8 802	8 846	8 890	8 934	8 979	9 024	9 069	9 114	9 160	9 206	20 972	119 752	126 937	134 554
Remuneration of councillors	382	405	429	455	482	511	542	574	609	645	684	1 228	6 947	7 364	7 806
Finance charges	253	258	263	268	273	279	202	100	102	104	106	1 793	4 000	4 000	4 000
Bulk purchases - Electricity	8 112	8 115	8 139	8 163	8 188	8 213	8 237	8 262	6 789	6 979	7 188	2 866	89 251	94 339	99 622
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	5 344	5 344	5 648	5 964
Other materials	2 452	2 453	2 455	2 456	2 457	2 458	2 460	2 461	2 462	2 463	2 465	3 561	30 603	26 766	28 759
Contracted services	1 250	1 643	1 643	1 643	1 643	1 643	1 643	1 643	1 643	2 643	2 643	66 512	86 188	87 721	89 350
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	–	–	–	–	–	–	–	–	–	–	–	4 059	4 059	4 490	4 831
Cash Payments by Type	**21 207**	**21 675**	**21 774**	**21 875**	**21 978**	**22 082**	**22 107**	**22 109**	**20 719**	**21 994**	**22 291**	**106 334**	**346 144**	**357 265**	**374 886**
Other Cash Flows/Payments by Type															
Capital assets	16 924	6 502	11 575	6 916	13 296	2 254	2 223	1 975	8 895	5 512	4 452	4 464	84 989	86 244	107 568
Repayment of borrowing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Cash Flows/Payments												–			
Total Cash Payments by Type	**38 131**	**28 177**	**33 349**	**28 791**	**35 274**	**24 337**	**24 330**	**24 084**	**29 614**	**27 506**	**26 744**	**110 798**	**431 133**	**443 508**	**482 454**
NET INCREASE/(DECREASE) IN CASH HELD	**45 852**	**(3 945)**	**(11 497)**	**(7 539)**	**41 833**	**(2 978)**	**12 514**	**1 316**	**26 289**	**(2 844)**	**(5 076)**	**(61 371)**	**32 555**	**54 574**	**58 199**
Cash/cash equivalents at the month/year begin:	1 388	47 240	43 295	31 798	24 259	66 092	63 114	75 629	76 945	103 234	100 390	95 314	1 388	33 943	88 517
Cash/cash equivalents at the month/year end:	47 240	43 295	31 798	24 259	66 092	63 114	75 629	76 945	103 234	100 390	95 314	33 943	33 943	88 517	146 716

2.15 Legislation compliance status

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

- **In-year reporting**

  Reporting to National Treasury in electronic format was fully complied with monthly. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. However, changes in the new financial system are expected to improve the quality of the reports.

- **Internship programme**

  The municipality is participating in the Municipal Financial Management Internship programme and has hired 5 local graduate in the internship program April 2016.

- **Budget and Treasury Office**

  The Budget and Treasury Office has been established in accordance with the MFMA.

- **Audit Committee**

  A shared Audit Committee with the Waterberg District municipality has been established and is fully functional.

- **Service Delivery and Implementation Plan**

  The detail SDBIP document is at a final stage and will be finalised after approval of the 2017/18 MTREF directly aligned and informed by the 2016/17 MTREF.

- **Annual Report**

  Annual report is compiled in terms of the MFMA and National Treasury requirements.

- **MFMA Training**

  The relevant managers are attending the MFMA accredited training.

- **Policies**

The following policies have been reviewed in the light of this new budget;

  - Credit control and debt collection;
  - Rates;
  - Indigent;
  - Irrecoverable debt; and
  - Tariffs.

2.16 Quality certification

I, …………………………………, in my capacity as accounting officer of the municipality, hereby certify that:

- This budget complies with the legislative framework;
- The budget, once approved by Council, will be taken through the required consultation processes to obtain the stakeholders' inputs;
- The relevant budget return forms have been submitted to the local government database.

Print Name ____

Municipal manager of ____

(name and demarcation code of municipality)

Signature ____

Date ______________________________